

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains the Resolutions to be voted on at the Extraordinary General Meeting of the Company to be held at 11.00 a.m. on 17 May 2011. 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 sold or otherwise transferred all of your Ordinary Shares, please pass this document (together with the accompanying Form of Proxy) as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold or transferred part only of your holding of Ordinary Shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected. However, the distribution of this document and the accompanying Form of Proxy into jurisdictions other than the United Kingdom may be restricted by law and neither this document nor the accompanying Form of Proxy should be mailed, distributed, forwarded, transmitted or sent in, into or from (in particular, but without limitation) the United States, Australia, Canada, Japan, South Africa or the Republic of Ireland. Any failure to comply with any of those restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction. Therefore, persons outside the United Kingdom into whose possession this document and/or the accompanying Form of Proxy has come should inform themselves about, and observe, any such restrictions.

This document, which comprises in relation to Beale PLC both a circular prepared in compliance with Chapter 13 of the Listing Rules and a prospectus prepared in accordance with the Prospectus Rules has been filed with and approved by the FSA in accordance with section 85 of FSMA. The information disclosed in this document may not be the same as that which would have been disclosed if it had been prepared in accordance with the laws and regulations of any jurisdiction outside England and Wales. This document, together with the documents incorporated by reference (as set out in Part XI of this document) will be made available to the public in accordance with section 3.2 of the Prospectus Rules by the same being made available, free of charge, at www.beales.co.uk/corporate-information, at the Company's registered office and by a written request to the Registrar from their offices, details of which are set out on page 21 of this document. **You should read the whole of this document and any documents incorporated herein by reference and, in light of that, consider whether to vote in favour of the Resolutions. In particular, your attention is drawn to the factors described in the "Risk Factors" section of this document.**

BEALE PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 02755125)

Proposed acquisition of 19 department stores from ARCS

Readmission of the Ordinary Shares to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange

Notice of Extraordinary General Meeting

Subscription by ARCS for new redeemable preference shares

Adoption of new articles of association

New performance share plan

Shore Capital and Corporate Limited

Sponsor

Your attention is drawn to the letter from the Chairman of the Company which is set out in Part I of this document and which contains the unanimous recommendation of the Directors that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting to be held at the Norfolk Royale Hotel, Richmond Hill, Bournemouth BH2 6EN at 11.00 a.m. on 17 May 2011. A notice convening the Extraordinary General Meeting is set out on pages 140 to 142 of this document and the Form of Proxy for use at the meeting is also enclosed. To be valid, the Form of Proxy must be completed and returned, in accordance with the instructions printed on it, so as to be received at the offices of the Company's registrars Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but, in any event, so as to arrive not later than 11.00 a.m. on 15 May 2011, being 48 hours before the time appointed for the holding of the meeting. The completion and return of a Form of Proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting should you wish to do so.

Applications will be made (i) to the UK Listing Authority for the Ordinary Shares to be readmitted to listing on the Official List and (ii) to the London Stock Exchange for the Ordinary Shares to be readmitted to trading on its main market for listed securities. It is expected that Readmission will become effective, and that dealings in the Ordinary Shares will recommence, at 8.00 a.m. on the Effective Date. Neither the Ordinary Shares nor this document have been, or will be, registered under the US Securities Act or under the applicable securities laws of any state of the United States or under the securities laws of any other jurisdiction outside the United Kingdom or any state, province or territory thereof.

Shore Capital, which is authorised and regulated in the United Kingdom by the FSA, and Shore Capital Stockbrokers, which is a member of the London Stock Exchange and is also authorised and regulated in the United Kingdom by the FSA, are acting exclusively as sponsor/financial adviser and broker respectively to the Company and no one else in connection with the Proposed Acquisition and Readmission and will not, in relation thereto, regard any other person (whether or not a recipient of this document) as its client and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Shore Capital or Shore Capital Stockbrokers or for providing advice in relation to the Proposed Acquisition and Readmission or any other transactions or arrangements referred to in this document, save as imposed by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder.

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CONTENTS

	<i>Page</i>
SUMMARY	3
RISK FACTORS	10
IMPORTANT NOTICES	17
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	20
DIRECTORS, SECRETARY AND ADVISERS	21
PART I LETTER FROM THE CHAIRMAN OF BEALE	22
PART II INFORMATION ON THE BEALE GROUP	34
PART III INFORMATION ON ARCS	44
PART IV OPERATING AND FINANCIAL REVIEW ON THE BEALE GROUP	50
PART V OPERATING AND FINANCIAL REVIEW ON THE BUSINESS	56
PART VI HISTORICAL FINANCIAL INFORMATION ON THE GROUP	60
PART VII HISTORICAL FINANCIAL INFORMATION ON THE BUSINESS	61
PART VIII UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP	81
PART IX SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE ACQUISITION AGREEMENT, TERM LOAN AGREEMENT, IT SERVICES AGREEMENT AND NED AGREEMENT	85
PART X ADDITIONAL INFORMATION	95
PART XI DOCUMENTS INCORPORATED BY REFERENCE	138
PART XII NOTICE OF EXTRAORDINARY GENERAL MEETING	140
PART XIII DEFINITIONS	143

SUMMARY

The summary below should be read as an introduction to this Prospectus. Any investment decision relating to Ordinary Shares should be based on a consideration of the Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, a claimant investor may, under the national legislation of certain EEA states, have to bear the costs of translating this Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of it, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

1. INTRODUCTION

The Company announced on 6 April 2011 that it had entered into a conditional agreement to acquire the trade and assets of 19 department stores currently owned and operated by Anglia Regional Co-operative Society Limited (“ARCS”), for a total initial consideration of £7.5 million payable wholly in cash on completion of the Acquisition Agreement.

The consideration payable in respect of the Proposed Acquisition will be financed entirely by ARCS through the provision by it to JEB of a £2.5 million unsecured five year term loan and its subscription for £8.5 million of redeemable preference shares to be issued by the Company.

On Completion, ARCS will also pay a cash contribution to JEB of £2.3 million, £1.2 million of which must, within 12 months of Completion, be spent or be contractually committed to be spent on improvements to some or all of the Target Stores. Total cash funding from ARCS on Completion will amount to £13.3 million and the excess over the initial consideration payable for the Proposed Acquisition and the amount to be spent on improvements to the Target Stores will be available for use in all of the Enlarged Group’s businesses. Further financial contributions to support the viability of certain stores and to enable them to integrate into the Beale format, amounting in aggregate in the first year following Completion to approximately £2.4 million, will also be made by ARCS. These payments will be made provided JEB continues to trade the relevant stores. Following Completion, ARCS will continue to own and operate various in-store concessions at certain of the Target Stores.

2. BACKGROUND TO AND REASONS FOR THE PROPOSED ACQUISITION

The Group is, through JEB, engaged in the operation of a department store network, predominantly in provincial towns across the UK and currently operates 13 stores offering an assortment of merchandise.

ARCS is a large co-operative society in the UK and, following a management change three years ago, is currently following a strategy of focusing on its core food, furniture, travel and funerals businesses and divesting certain non-food operations.

One of the Group’s main objectives is to become a leading regional department store retailer. It is the Board’s belief that this objective will principally be achieved through acquisition with the aim of returning the Group to profitability and by ensuring, as far as possible, that new acquisitions make a positive contribution, whilst maintaining control of the Group’s cost base.

Your Board believes that the Proposed Acquisition represents a logical platform from which to further develop its existing businesses. It is both strategically and financially attractive for the following reasons:

- the Proposed Acquisition will add a further 19 stores and approximately 450,000 square feet of trading space, excluding ARCS’ concessions (current Group total: approximately 555,000 sq. ft) and in the financial year ended 4 September 2010, the Business generated approximately £61.0 million of gross sales (including concessions and VAT);
- the current performance of the Target Stores is below the Beale Group average in terms of sales and profit per square foot, providing potential upside;
- the consideration payable for the Proposed Acquisition is to be entirely financed by ARCS;

- the Group will receive a £2.3 million one-off cash contribution from ARCS, some of which will provide funding for the immediate expected capital expenditure requirements of certain of the Target Stores;
- the Group will also receive ongoing financial contributions from ARCS which aim to mitigate anticipated trading risks at certain of the Target Stores and assist trading performance; and
- combining the Target Stores with the existing Group offers additional scope for certain cost savings and revenue synergies to be implemented in the Enlarged Group.

Costs savings and revenue synergies

The Board believes that cost synergies may be achieved principally by optimising purchasing arrangements, improving the efficiency of the Enlarged Group and by reducing duplication of functions where appropriate.

3. DETAILS OF THE PROPOSED ACQUISITION

Under the terms of the Acquisition Agreement, JEB will acquire the fixed assets, contracts and goodwill associated with the Business for a nominal consideration and stock, forward orders and cash floats at valuation. In addition, JEB will be required within six months following Completion (or by 27 December 2011 if earlier) to purchase for sale through the Target Stores further stocks held at ARCS' distribution centre in Peterborough.

The Business presently employs approximately 850 staff in total whose employment will transfer to JEB on Completion. The principal terms and conditions of employment of transferring employees will be safeguarded. However, given the continuing uncertain economic outlook, the Acquisition Agreement provides that ARCS will indemnify JEB in respect of certain severance payments which may be made by it to any of the employees of the Business up to various dates following Completion.

As at the date of this document, the formal consent of the relevant landlords to the assignment, sub-letting or underletting (as appropriate) of the Target Stores located in Abingdon, Chipping Norton, Cinderford and Kings Lynn still remains to be obtained, although consent in principle has been given. Although it is anticipated that all landlord's consents will be in place by Completion, to cover the possibility that some may not be available and, in any event, in relation to the Target Store located in Skipton (the lease of which is not capable of assignment or underletting), the Group will, rather than taking an approved assignment or underletting, occupy the relevant property under separate concession based terms agreed between itself and ARCS. This will enable the Group to acquire the businesses carried on at each of the Target Stores on Completion and, in respect of those stores where landlord's consent has not been obtained, provide a further 12 months in which to obtain the consent, failing which JEB must decide whether to take an assignment or underletting (in any event at its own risk) or close the relevant Target Store. Failure to obtain landlord's consent in respect of any one Target Store will not affect the acquisition by the Group of the businesses carried on in the other Target Stores.

The Group understands that occupying any leasehold property in this way could potentially put it in breach of the relevant lease and at risk of a claim being made by the landlord for any loss suffered. ARCS has agreed to indemnify the Beale Group in this circumstance for any closure costs and (at Skipton only) any loss arising from the seizure of stock.

The precise level of consideration payable by JEB will be determined following the preparation and agreement of a completion statement and finalisation of a stock valuation process (which is intended to be achieved within two months of Completion).

Completion of the Proposed Acquisition, drawdown of the Term Loan and the issue by the Company to ARCS of the Preference Shares are each conditional on obtaining the approval of Shareholders to certain of the Resolutions at the Extraordinary General Meeting. If the necessary approvals of Shareholders are not obtained at the EGM, the Acquisition Agreement will terminate in its entirety and the Proposed Acquisition will not proceed.

4. INFORMATION ON BEALE AND ARCS

4.1 *Beale*

The Group was admitted to listing on the London Stock Exchange in 1995 and currently operates 13 department stores, under a variety of brands, from a head office in Bournemouth. The flagship store is also based in Bournemouth.

Merchandise is sourced directly by the Group and is also provided by suppliers and other retailers operating in-store concessions who are typically required to pay a commission to the Group based on the level of sales achieved. Sales volumes and contributions per square foot vary from department to department and from store to store.

4.2 *ARCS*

ARCS was founded in 1921 and has its roots in Peterborough. Since then it has grown to become (by turnover) the sixth largest retail consumer co-operative in the country. It has a diverse range of operations including department stores, food, furniture, travel and funerals. It has a total turnover in excess of £300 million and provides employment for over 3,000 employees.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION ON THE GROUP

The table below sets out selected audited financial information for the Group for the three years ended 1 November 2008, 31 October 2009 and 30 October 2010.

	<i>Financial years ended</i>		
	<i>1 November 2008 £'000</i>	<i>31 October 2009 £'000</i>	<i>30 October 2010 £'000</i>
Gross sales (VAT inclusive)	88,982	84,950	87,247
Gross sales (VAT exclusive)	75,891	73,735	74,696
Revenue	47,881	47,566	48,566
(Loss) before taxation	(1,522)	(987)	(668)
(Loss) after taxation	(1,391)	(917)	(583)
Net assets	17,431	13,805	14,592
(Loss) per share	(6.78p)	(4.47p)	(2.84p)
Net assets per share	84.9p	67.3p	71.1p

6. SELECTED FINANCIAL INFORMATION ON THE BUSINESS

A summary of the audited historical financial information on the Business for the three years ended 6 September 2008, 5 September 2009 and 4 September 2010, and for the period from 5 September 2010 to 22 January 2011 is set out below. The period to January 2010 is unaudited.

	<i>Financial years ended September</i>			<i>20 weeks ended January</i>	
	<i>2008 £'000</i>	<i>2009 £'000</i>	<i>2010 £'000</i>	<i>2010 £'000</i>	<i>2011 £'000</i>
Gross sales (VAT inclusive)	66,583	60,468	61,062	26,537	26,367
Gross sales (VAT exclusive)	60,620	55,518	55,600	24,212	23,700
(Loss) before taxation	(3,751)	(3,998)	(4,899)	(1,178)	(2,243)
(Loss) after taxation	(2,701)	(2,879)	(3,527)	(848)	(1,615)
Net assets	5,735	2,691	5,916	N/A	6,393

7. CURRENT TRADING AND PROSPECTS

7.1 *Beale*

On 27 January 2011, Beale announced its preliminary results for the financial year to 30 October 2010. Beale commented as follows:

“Results

The Group loss before taxation of £668,000 showed further progress on the previous year, when the loss was £987,000. The underlying improvement was more substantial than this, as we incurred a loss of £271,000 in the two stores acquired during the year, much of which was attributable to start-up costs.

The Group’s gross sales increased by 2.7% to £87.2 million; these include concession sales and VAT, as well as the sales of the new stores. The VAT increase during the year contributed about 1.4% of the increase.

Revenue, which excludes VAT and includes only the commission element of concession sales, was 2.1% higher than in the previous year at £48.6 million. Like for like revenue, excluding the new stores, declined by 2.1%.

Like for like gross margins were comparable to those in the previous year at 54.2% (2009: 54.5%). Robbs of Hexham includes a substantial food store, which operates at lower margins than our usual department store business, with the result that the overall margin declined slightly to 53.7%.

Despite the new acquisitions administrative expenses were well controlled, and were £148,000 lower at £26.5 million.

Our net debt increased, and at the year-end was £8.1 million (2009: £6.4 million). The seasonality of our business means that our borrowings are at their highest around the year end. The increase was largely attributable to the costs of acquiring and refurbishing our new stores and supporting the higher working capital investment in the enlarged Group.

Trading update

Retail sales were seriously affected by snow throughout the country in November and early December. Gross sales for the 11 weeks ended 15 January 2011 were 4.6 per cent. higher than for the equivalent period last year.

For the 5 week period from 6 December 2010 to 15 January 2011, following the worst of the adverse weather conditions, gross sales were 16.3 per cent. higher than in the previous year. The comparison is flattered to some degree by the snow which affected parts of the country in the first half of January 2010”.

At the Annual General Meeting of the Company held on 17 March 2011, the Chairman stated:

“Gross sales for the 19 weeks to 12 March 2011, including concessions and the two new stores acquired in 2010, were 5.9% higher than for the previous year; like-for-like sales declined by 6.2% For the first quarter, to 29 January 2011, gross sales were up 4.9% on the previous year.

As noted in the Annual Report, trading in the current year has been significantly adversely affected by the worst pre Christmas snowfalls for 30 years. However since the weather improved we have made progress in recapturing the lost sales; gross sales during the latest six-week period since 29 January, including concessions and new stores, were 9.4% up on the previous year and like-for-like sales were 4.7% lower.

The Board is pleased that first quarter sales were achieved at an improved gross margin compared with the previous year, despite the promotional discounting required to be competitive over Christmas.

Furthermore, like for like expenses were lower than the previous year as we continued to focus on cost reduction, albeit total expenses increased as a result of the acquisition of the two new stores.

The increase of VAT on 4 January 2011 and the effect of the Government's tighter fiscal policy mean that the remainder of the year will be challenging, but the Board believes the strategies and actions being taken will in due course improve the Group's financial performance".

7.2 ARCS

The trading performance of the Target Stores, as reported in the historical financial information on the Business for the year ended 4 September 2010, was adversely affected by a number of factors. Retail sales were affected by the general poor condition of the UK economy and adverse weather which affected store trading times and the ability of customers to get to the stores.

8. DIVIDEND POLICY

The Board has adopted a policy of paying dividends only when justified by the profits of the Company and so as to have proper regard to the need to maintain sufficient levels of working capital. No dividends were paid by the Company in any of the financial years ended 1 November 2008, 31 October 2009 or 30 October 2010. The Board does not expect that the dividend policy of the Company will change materially following the Proposed Acquisition.

9. IMPORTANCE OF THE VOTE

The Resolutions relating to approval of the Acquisition Agreement, the issue of the Preference Shares on a non pre-emptive basis and adoption of the New Articles must be passed by Shareholders at the Extraordinary General Meeting in order for the Proposed Acquisition to proceed. If these Resolutions are not passed and the Proposed Acquisition does not take effect, there will be serious adverse consequences for the Group as the Company will not be able to operate within the borrowing limits available under its existing revolving credit loan facility with HSBC of £9.0 million, will breach its revised banking covenants and have insufficient working capital for the following 12 months. The consequences of this would (as described below) be materially detrimental to the interests of Shareholders.

The Company will be required to pay professional fees and expenses associated with the Proposed Acquisition of approximately £1.1 million (plus VAT) (which otherwise would have been payable out of the one-off cash contribution payment to be made by ARCS on Completion) out of its existing cash resources.

Furthermore, the net proceeds of the Term Loan and Preference Share subscription proposed to be made by ARCS, which would have been available for use in all of the Enlarged Group's businesses after satisfaction by JEB of the initial consideration payable under the Acquisition Agreement, will not be received.

HSBC is supportive of the Proposed Acquisition and has consented to it and, as described on pages 127 and 128 of this document, HSBC has varied the financial covenants contained in the Company's loan facility in order to allow the Proposed Acquisition to proceed.

However, as part of the agreement reached with it, HSBC requires that if the Proposed Acquisition does not proceed, it will have the right to immediately appoint reporting accountants, at Beale's cost, to carry out an independent business review and report on such matters relating to the Company and the Group as HSBC (acting reasonably) considers necessary or desirable. It is not presently certain what the conclusion or the consequences of any such review would be, or what the bank might conclude would be necessary or desirable.

In the absence of the financing that would otherwise have been provided by ARCS, it is, in any event, likely that the Group would breach the covenant relating to available headroom which would be tested within 28 days of the first test date of 31 July 2011.

Without the Proposed Acquisition proceeding, the Company would have available to it a limited range of options to reduce borrowings or deal with any potential covenant breach, which it would start to implement as soon as possible if the necessary Resolutions were not passed at the Extraordinary General Meeting. Such

actions would include reducing the Group's cost base, reducing capital expenditure and conserving cash through stricter working capital management. Asset disposals might also be possible. Taken together, these actions would assist the working capital position. However, if such actions were insufficient to reduce borrowings sufficiently or address the risk of a covenant breach (as, in the opinion of the Directors, is almost certain given the available timeframe), the Company would seek to agree with HSBC (who, as described above, have been supportive of the Company's request to amend its existing facility and make the Proposed Acquisition) that the relevant covenants be relaxed or that any breach of such covenants be waived.

Discussions with HSBC concerning banking covenants would commence immediately. However, in light of their previous discussions and given that the financing from ARCS will no longer be available, the Directors believe it is unlikely that the Group would be able to secure such an amendment or waiver from HSBC. In those circumstances, the Company would attempt to seek alternative sources of financing, for example, by way of a new issue of Ordinary Shares. In these circumstances and within the required timeframe, the Directors believe that an equity fundraising would in practice be very difficult, or impossible, to achieve and cannot be confident of the success of such a course of action. Even were it possible, the dilutive effect on Shareholders could be considerable.

A breach by the Company of any of its banking covenants would constitute an event of default under the facility. As a consequence, HSBC could immediately cancel its facilities and demand immediate repayment of all amounts due to it. If the Company were unable to reach agreement with HSBC or an alternative lender, it would be unable to repay its existing facilities in full. The shortfall would equal the amount of all outstanding borrowings at the time, up to the maximum borrowing limit of £9.0 million. In this event, HSBC would have the right (among others) to enforce the security held by it over the principal assets of the Group, immediately exercise its rights to appoint a receiver or administrator and commence formal insolvency proceedings failing which the Company would be likely to seek itself the protection of a formal insolvency process, probably administration.

If that were the case, the value of an Ordinary Share would decline and result in investors losing most or all of their investment in the Company.

Accordingly, to avoid this outcome, the Directors believe it is important that Shareholders vote in favour of the relevant Resolutions in order that the Proposed Acquisition can proceed.

10. OTHER KEY RISK FACTORS

The Enlarged Group's business, operating results and financial condition could be adversely affected by risks relating to the Enlarged Group and its businesses. As a result, the value of an Ordinary Share could decline and investors could lose part or all of their investment. The risk factors summarised below are considered by the Directors to be material in relation to (i) the Group, the Target Stores and, if the Proposed Acquisition becomes effective, the Enlarged Group; (ii) the Proposed Acquisition and the Target Stores; and (iii) the Ordinary Shares:

Risks relating to the Group, the Target Stores and, if the Proposed Acquisition becomes effective, the Enlarged Group

- economic conditions;
- abnormal, severe or unseasonal weather conditions;
- competitive environment;
- relationships with suppliers;
- loss of key management;
- weak sales during peak selling seasons;
- the Group not being able to predict accurately or fulfil customer preferences or demand;
- employee and trade union relations;

- funding of future expansion;
- properties;
- environmental;
- Beale's pension schemes; and
- future operating results.

Risks relating to the Target Stores and the Proposed Acquisition

- pre-Completion risks for the Target Stores;
- landlords' consents;
- implementation of the IT integration plan;
- commercial objectives and integration following the Proposed Acquisition; and
- the Target Stores not performing in line with expectations.

Risks relating to the Ordinary Shares

- fluctuations in the Company's share price;
- dividends; and
- realisation of investment.

RISK FACTORS

Prior to making any decision to vote in favour of the Resolutions at the Extraordinary General Meeting, Shareholders should carefully consider, together with all other information contained in this document, the specific risk factors described below. A number of factors affect the operating results, financial condition and prospects of the Group and the Target Stores and, following Completion, will affect the Enlarged Group or the industry in which it operates.

This section describes the risk factors which are considered by the Directors to be material in relation to the Group, the Proposed Acquisition, the Target Stores and, following Completion, the Enlarged Group. However, they are not set out in any particular order of priority and should not be regarded as exhaustive or a complete and comprehensive statement of all potential risks and uncertainties associated with the Group, the Enlarged Group and/or the Target Stores. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Group's, the Target Stores' and, following Completion, the Enlarged Group's operating results, financial condition and prospects.

There may be other risks of which the Board is not aware or that the Board currently believes to be immaterial which may have an adverse effect on the Group's or, following Completion, the Enlarged Group's business, financial condition, results or future prospects. The majority of the risk factors set out below are contingencies which may or may not arise and the Board is not in a position to express a view on the likelihood of any such contingency arising.

The information given is as of the date of this document and, except as required by the FSA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law, will not be updated.

1. IMPORTANCE OF THE VOTE

The Resolutions relating to approval of the Acquisition Agreement, the issue of the Preference Shares on a non pre-emptive basis and adoption of the New Articles must be passed by Shareholders at the Extraordinary General Meeting in order for the Proposed Acquisition to proceed. If these Resolutions are not passed and the Proposed Acquisition does not take effect, there will be serious adverse consequences for the Group as the Company will not be able to operate within the borrowing limits available under its existing revolving credit loan facility with HSBC of £9.0 million, will breach its revised banking covenants and have insufficient working capital for the following 12 months. The consequences of this would (as described below) be materially detrimental to the interests of Shareholders.

The Company will be required to pay professional fees and expenses associated with the Proposed Acquisition of approximately £1.1 million (plus VAT) (which otherwise would have been payable out of the one-off cash contribution payment to be made by ARCS on Completion) out of its existing cash resources.

Furthermore, the net proceeds of the Term Loan and Preference Share subscription proposed to be made by ARCS, which would have been available for use in all of the Enlarged Group's businesses after satisfaction by JEB of the initial consideration payable under the Acquisition Agreement, will not be received.

HSBC is supportive of the Proposed Acquisition and has consented to it and, as described on pages 127 and 128 of this document, HSBC has varied the financial covenants contained in the Company's loan facility in order to allow the Proposed Acquisition to proceed.

However, as part of the agreement reached with it, HSBC requires that if the Proposed Acquisition does not proceed, it will have the right to immediately appoint reporting accountants, at Beale's cost, to carry out an independent business review and report on such matters relating to the Company and the Group as HSBC (acting reasonably) considers necessary or desirable. It is not presently certain what the conclusion or the consequences of any such review would be, or what the bank might conclude would be necessary or desirable.

In the absence of the financing that would otherwise have been provided by ARCS, it is, in any event, likely that the Group would breach the covenant relating to available headroom which would be tested within 28 days of the first test date of 31 July 2011.

Without the Proposed Acquisition proceeding, the Company would have available to it a limited range of options to reduce borrowings or deal with any potential covenant breach, which it would start to implement as soon as possible if the necessary Resolutions were not passed at the Extraordinary General Meeting. Such actions would include reducing the Group's cost base, reducing capital expenditure and conserving cash through stricter working capital management. Asset disposals might also be possible. Taken together, these actions would assist the working capital position. However, if such actions were insufficient to reduce borrowings sufficiently or address the risk of a covenant breach (as, in the opinion of the Directors, is almost certain given the available timeframe), the Company would seek to agree with HSBC (who, as described above, have been supportive of the Company's request to amend its existing facility and make the Proposed Acquisition) that the relevant covenants be relaxed or that any breach of such covenants be waived.

Discussions with HSBC concerning banking covenants would commence immediately. However, in light of their previous discussions and given that the financing from ARCS will no longer be available, the Directors believe it is unlikely that the Group would be able to secure such an amendment or waiver from HSBC. In those circumstances, the Company would attempt to seek alternative sources of financing, for example, by way of a new issue of Ordinary Shares. In these circumstances and within the required timeframe, the Directors believe that an equity fundraising would in practice be very difficult, or impossible, to achieve and cannot be confident of the success of such a course of action. Even were it possible, the dilutive effect on Shareholders could be considerable.

A breach by the Company of any of its banking covenants would constitute an event of default under the facility. As a consequence, HSBC could immediately cancel its facilities and demand immediate repayment of all amounts due to it. If the Company were unable to reach agreement with HSBC or an alternative lender, it would be unable to repay its existing facilities in full. The shortfall would equal the amount of all outstanding borrowings at the time, up to the maximum borrowing limit of £9.0 million. In this event, HSBC would have the right (among others) to enforce the security held by it over the principal assets of the Group, immediately exercise its rights to appoint a receiver or administrator and commence formal insolvency proceedings failing which the Company would be likely to seek itself the protection of a formal insolvency process, probably administration.

If that were the case, the value of an Ordinary Share would decline and result in investors losing most or all of their investment in the Company.

Accordingly, to avoid this outcome, the Directors believe it is important that Shareholders vote in favour of the relevant Resolutions in order that the Proposed Acquisition can proceed.

2. RISKS RELATING TO THE GROUP, THE TARGET STORES AND, IF THE PROPOSED ACQUISITION BECOMES EFFECTIVE, THE ENLARGED GROUP

As the Target Stores operate in similar markets to those in which the Group operates, and due to the nature of their respective merchandise and brands, the risks identified in this paragraph 2 refer to the Group before, and the Enlarged Group after, completion of the Proposed Acquisition and references to the Group should be construed accordingly.

Economic conditions

The Group's results are impacted by the prevailing economic climate, levels of employment, real disposable income, salaries and wage rates, interest rates, the availability of consumer credit, consumer confidence and consumers perception of economic conditions. In the financial year ended 30 October 2010, the entirety of the Group's revenues were derived from the United Kingdom. Therefore, the general slowdown in the UK economy and the uncertain economic outlook may continue to adversely affect consumer spending habits, which may reduce the Group's revenues. In addition, many of the products that the Group sells represent discretionary purchases, as a result of which it may experience a decline in sales, which in turn may have a material adverse effect on the Group's business, financial condition and results of operations.

Abnormal, severe or unseasonal weather conditions

The early onset of winter at the end of 2010 negatively impacted retail revenues. The Target Stores were more adversely affected than the Group's stores due to their geographic location in those areas where weather conditions were at their worst. Prolonged unseasonal weather conditions or temporary severe weather during one of the Group's peak trading seasons, such as the Christmas season, could materially and adversely affect its gross transaction values and, in turn, its results of operations.

Competitive environment

The markets in which the Group operates are highly competitive and changing and the Group competes with a wide variety of retailers of varying sizes and covering different product categories across all its markets. The entry of new competitors into any of the Group's markets, a change in the level of marketing undertaken by those competitors or in their pricing policies, the consolidation of the Group's competitors and/or the introduction of new competing merchandise or brands could have a material adverse effect on the Group's sales volumes, revenue and profitability. In addition, many of the Group's competitors have greater financial resources, greater purchasing economies of scale and/or lower cost bases, any of which may give them a competitive advantage over the Group.

Relationships with suppliers

Whilst the Group is not overly dependent on any individual supplier, any significant disruption or other adverse event affecting its relationship with any of its more significant suppliers could have a material adverse effect on its business, financial condition or results of operations. If the Group needs to replace any such supplier, it may face risks and costs associated with a transfer of operations. In addition, a failure to replace any of its significant suppliers on commercially reasonable terms, or at all, could have an adverse effect on the Group's business, financial condition or results of operations.

Loss of key management

The Group's continued success is dependent on the ongoing services of a small number of senior officers and employees, many of whom have significant experience in the retail industry and could be difficult to replace, and on the Group's ability to continue to attract, motivate and retain highly qualified personnel. In particular, the Group's ability to integrate businesses that it acquires effectively may depend on its ability to retain key officers and employees, including those of the Target Stores (subject to Completion). The loss of senior personnel, or the inability to recruit sufficient qualified personnel, could have an adverse effect on the Group's ability to run its businesses and, accordingly, on the results of operations of the Group.

Weak sales during peak selling seasons

The Group's business is subject to seasonal peaks. Historically, its most important trading period in terms of gross sales, operating results and cash flow has been the Christmas and January sale season, with approximately 33 per cent. of its sales during the financial year to 30 October 2010 occurring between the beginning of November 2009 and the end of January 2010. The Group incurs significant additional expenses in advance of the Christmas season in anticipation of higher sales during that period, including the cost of additional inventory, advertising and the hiring of temporary employees. The Group's investment in working capital historically peaks in early October and falls significantly in early January. Past trends indicate that, in addition to the Christmas season, a peak in sales occurs during June and July as a result of promotional events and seasonal sales. If sales during the Group's peak seasons, particularly the Christmas season, are significantly lower than it expects for any reason, it may be left with higher inventory levels. If these volumes are significant, the Group will rely on markdowns and/or promotional activity to clear excess stock as quickly as possible thereby adversely impacting gross margins. At the same time, if it fails to purchase a sufficient quantity of merchandise, it may not have an adequate supply of products to meet consumer demand. This may cause the Group to lose sales.

The Group may not be able to predict accurately or fulfil customer preferences or demand

A significant proportion of the Group's revenue is derived from the sale of fashion-related products, which are subject to changing customer tastes. Changes in customer preferences make it more difficult to predict

sales demand accurately. The Group's success depends, in part, on its ability to predict and respond to changing consumer demands and preferences, and to translate market trends into appropriate, saleable merchandise offerings. The Group's ability to anticipate and respond to changing customer preferences and tastes depends, in part, on its ability to attract and retain key personnel in its buying, design, merchandising, marketing and other functions. Competition for such personnel is intense and the Group may not be able to attract and retain a sufficient number of qualified personnel in future periods.

The Group must enter into contracts for the purchase and manufacture of certain merchandise well in advance of the applicable selling season. The long lead times between ordering and delivery make it more important to predict accurately, and more difficult to fulfil, customer demand for items. There can be no assurance that the Group's orders will match actual demand. If the Group is unable to predict or respond to sales demand or to changing styles or trends successfully, its sales will be lower and it may be forced to rely on additional markdowns or promotional sales to dispose of excess or slow-moving inventory or it may experience inventory shortfalls on popular merchandise, any of which could have a material adverse effect on its business, financial condition and results of operations.

Employee and trade union relations

Whilst in general, relations with the Group's existing employees are good, unlike the Group, ARCS recognises trade unions generally in relation to its employees and, while historic relations with those employees and the relevant unions have also been positive, there can be no assurance that, following Completion, the Enlarged Group will not be affected by work stoppages or other forms of industrial action which may, to the extent it is unable to make alternative staffing arrangements, have a material adverse effect on the Enlarged Group's sales volumes, revenues and profits.

Funding of future expansion

In order to fund the Group's expansion plans in the long term, and in particular to fund future acquisitions, it may be necessary to raise funds by way of equity or debt or a combination of both. Any expansion plans for the Group may be constrained to the extent that it is unable to raise equity finance or that banks or other providers are not willing to provide any additional debt and other facilities required.

Properties

The majority of the Group's existing stores are, and all of the Target Stores will be, held through leasehold interests that are generally subject to periodic rent reviews and renegotiations. The majority of these property leases provide for upwards-only adjustments to rent upon rent reviews, and certain of them provide for automatic periodic escalation of rents. As a result, the Beale Group and, following Completion, the Enlarged Group is (and will remain) susceptible to fluctuations in the property rental market.

In addition, the Beale Group and, following Completion, the Enlarged Group may not be able to renew all of its existing store leases, generally if the landlord is able to establish legal grounds for non-renewal or if a contracted out lease comes to an end, although the Directors are not presently aware of any such risk. The leases held over four of the Target Stores expire in the next five years. These factors may result, among other things, in significant alterations in rental terms (including rental rates and service charges), in an inability to achieve site renewals, the closure of stores in desirable locations or in a failure to secure real estate locations adequate to meet annual targets. Any of these factors could have a material adverse effect on the Group's (and, following Completion, the Enlarged Group's) business, financial condition or results of operations.

Environmental

The Group's property portfolio comprises properties that have been constructed at various times and a number of its properties have been constructed in areas that have historically been the subject of commercial use. It is possible that on-site pollution or contamination could have been caused by such previous uses, or in limited circumstances by current uses, for which it is possible that the Group could be held liable. Although the Directors are not aware of any relevant liability, claims or actions, a claim or regulatory action against a member of the Group for pollution or contamination could have a material adverse effect on its business, financial condition and results of operations.

A number of the Group's existing properties and certain of those properties occupied by the Business are believed to contain materials in which asbestos is present. Pursuant to applicable law and regulation, the Beale Group is and, following Completion, the Enlarged Group, will be subject to duties to manage the risks of asbestos in its premises, which include ensuring that, so far as reasonably practicable, no person can come to harm from its presence. This may involve isolating, encapsulating or removing asbestos that is found to be in a poor condition. The Beale Group has developed and implemented an asbestos management plan which incorporates a set of policies and procedures to assist it to manage the asbestos risks in its properties. The ongoing management of asbestos by Beale may involve additional expenditure over forthcoming years. Any failure to manage the asbestos in its properties could result in the Beale Group and, following Completion, the Enlarged Group incurring fines or other liabilities, adversely affect its reputation and/or temporarily cause the full or partial closure of such properties, each of which could have a material adverse effect on the Group's or, following Completion, the Enlarged Group's, business, financial condition or results of operations.

Group pension schemes

The Group has two occupational defined benefit pension schemes, as described in "Pension schemes" in paragraph 16 of Part X of this document. Both schemes have been closed for future service accrual. The Beale pension scheme was assessed to have an IAS 19 deficit of £2.90 million as at the year ended 30 October 2010 while the Denners pension scheme was assessed to have an IAS 19 surplus of £0.40 million as at the same date. The estimated amount of contributions expected to be paid to these schemes during the year ending 29 October 2011 in respect of final salary benefits is £1,574,004. From 1 March 2011, no further contributions are payable in relation to the Denners pension scheme. Under the current schedule of contributions and recovery plan agreed with the trustees of the Beale pension scheme, JEB aims to eliminate the current deficit by February 2016.

However, there are various risks that could adversely affect the funding of the defined benefits available under these schemes, and consequently the Group's funding obligations in the longer term, such as the poor investment performance of pension fund investments; the schemes' trustees switching to an investment strategy not having the appropriate mix of equities, bonds and other investments; increasing employer contributions to the schemes; longer life expectancy; adverse annuity rates; or a change in the actuarial calculations used. An increase in the Group's pension related liabilities could have a material adverse impact on its profits and cash flow in the longer term.

Future operating results

The Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which may be outside its control. Accordingly, Shareholders should not rely on comparisons with the Group's historic results as an indicator of its future performance or that of the Enlarged Group. It is possible that in the future, the Group's and, following Completion, the Enlarged Group's operating results will fall below the expectations of securities analysts or investors.

3. RISKS RELATING TO THE TARGET STORES AND THE PROPOSED ACQUISITION

This paragraph 3 relates solely to specific risks relating to the Target Stores and the Business. General risks concerning the retail market, and which relate to both the Target Stores and the Group's existing businesses, are described in paragraph 2 above.

Pre-Completion risks for the Target Stores

During the period prior to Completion, events or developments may occur which could have an adverse effect on the operations of the Target Stores. Under the terms of the Acquisition Agreement, the Group will be required to complete the Proposed Acquisition notwithstanding such adverse events or developments. This may have an adverse effect on the business, financial condition and results of operations of the Enlarged Group.

Landlords' consents

As at the date of this document, the formal consent of the relevant landlords to the assignment, sub-letting or underletting (as appropriate) of the Target Stores located in Abingdon (including the warehouse property), Chipping Norton, Cinderford and Kings Lynn still remains to be obtained although consent in principle has been given in respect of all those properties and formal licences are in the process of being negotiated. Although it is anticipated that all landlord's consents will be in place by Completion, to cover the possibility that some may not be available and, in any event, in relation to the Target Store located in Skipton (the lease of which is not capable of assignment or underletting), the Group will, rather than taking an approved assignment or underletting, occupy the relevant property under separate concession based terms agreed between itself and ARCS. This will enable the Group to acquire the businesses carried on at each of the Target Stores on Completion and, in respect of those stores where landlord's consent has not been obtained, provide a further 12 months in which to obtain the consent, failing which JEB must decide whether to take an assignment or underletting (in any event at its own risk) or close the relevant Target Store.

The Group understands that occupying any leasehold property in this way could potentially put it in breach of the relevant lease and at risk of a claim being made by the landlord for any loss suffered. ARCS has agreed to indemnify the Beale Group in this circumstance for any closure costs and (at Skipton only) any loss arising from the seizure of stock. If such a claim led to it having to vacate the relevant store, the Group's gross transaction values and, in turn, its results of operations could be materially and adversely affected. However, failure to obtain landlord's consent in respect of any one Target Store will not affect the acquisition by the Group of the businesses carried on in the other Target Stores.

Implementation of the IT integration plan

Although detailed IT integration plans have been put in place by the Group in respect of the Proposed Acquisition and ongoing support is to be provided by ARCS under the IT Services Agreement, the testing of interfaces and new structures linked with the considerable transference of data onto the Group's existing systems requires significant time and focus. There can be no guarantee that the Enlarged Group's IT integration plan will work effectively and it may be compelled to accelerate its capital investment programme on new EPoS systems for the Target Stores, resulting in disruption to the Business and increased costs.

Commercial objectives and integration following the Proposed Acquisition

The success of the Proposed Acquisition will depend in part on the ability of the Enlarged Group and its management to integrate the operations, technologies and personnel of the Target Stores into those of the Group's existing businesses with a view to achieving reductions in the Enlarged Group's cost base as a proportion of total sales. The Group's management team have limited experience of implementing an integration plan of the scale proposed. If the Enlarged Group fails to successfully integrate the two businesses, this could negatively impact on its results of operations. The integration of these operations is complex and, accordingly, may result in unanticipated operational problems, expenses and other liabilities, and the diversion of management's attention.

The challenges involved in this integration include the following:

- limiting the costs associated with the operation of both the Group's existing businesses and the Target Stores;
- additional capital expenditure requirements;
- coordinating purchasing, sales and marketing efforts to effectively promote the sale of merchandise from the Target Stores;
- ensuring that management systems and administrative and financial controls are adequate for the effective management of the Enlarged Group;
- resolving any outstanding or unforeseen legal, regulatory, contractual, employee or other issues arising from the Proposed Acquisition; and

- assimilating the personnel and business cultures of both the Group's existing businesses and the Target Stores.

There can be no assurance that the Enlarged Group will be successful in meeting all of these challenges.

The Target Stores may not perform in line with expectations

The historical operating results of the Target Stores may not necessarily be indicative of future performance. Furthermore, the Target Stores' future ability to contribute fully to the Enlarged Group's cash flows and operating profitability will be dependent upon a number of factors, including certain risks described in this section of the document.

4. RISKS RELATING TO THE ORDINARY SHARES

Fluctuations in the Company's share price

Shares are risk investments and share prices have been and remain volatile, which could result in investors being unable to realise the amount originally invested. Shareholders should be aware that the value of the Ordinary Shares and the income arising therefrom can decrease as well as increase and may not always reflect the underlying value or prospects of the Company or the Enlarged Group. Furthermore, the price of an Ordinary Share may fall in response to market appraisals of the Group's strategy or if the Enlarged Group's operating results and/or prospects from time to time are below the prior expectations of market analysts and investors.

Dividends

The ongoing ability of the Company to make dividend payments to Shareholders will depend on a number of factors, including its financial condition and results of operations, contractual restrictions (in particular those imposed by ARCS under the terms of issue of the Preference Shares and pursuant to the Term Loan and by HSBC pursuant to its facilities with the Company) and other factors considered relevant by the Directors. Under English law, any payment of dividends would be subject to the 2006 Act. All final dividends to be distributed by the Company must be recommended by the Directors and approved by Shareholders. Moreover, under English law, the Company may pay dividends on the Ordinary Shares only out of profits available for distribution in accordance with the 2006 Act.

Although the Directors intend, where permitted, to pay dividends to Shareholders in the future, there can be no assurance that the Company will declare and pay, or have the ability to declare and pay, any further dividends on the Ordinary Shares.

Realisation of investment

Readmission should not be taken as implying that there will be a liquid market in the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise.

In the event of a winding up of the Company, the Ordinary Shares will rank behind any liabilities of the Company (including in respect of the Preference Shares) and therefore any return for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of creditors.

IMPORTANT NOTICES

Electronic proxy appointment is available for the Extraordinary General Meeting to those who hold their Ordinary Shares in CREST. Any such Shareholder may appoint a proxy by completing and transmitting a CREST proxy instruction to Capita Registrars (CREST participant ID RA10), so that it is received by no later than 11.00 a.m. on 15 May 2011. Alternatively, Shareholders may appoint a proxy by completing and returning the enclosed Form of Proxy by post or by hand to Capita Registrars at the address provided so that it is received by no later than 11.00 a.m. on 15 May 2011. The giving of a CREST proxy instruction or return of a Form of Proxy (as the case may be) will not prevent a Shareholder from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof, should the Shareholder wish to do so.

1. DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward looking statements”. These forward looking statements can be identified by the use of forward looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts and are stated subject to the Company’s obligations under the Disclosure and Transparency Rules, Listing Rules and Prospectus Rules.

They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Company, the Board or the Group (as the case may be) concerning, amongst other things, the results of operations, financial condition, prospects, growth and strategies of the Company or the Group and the industry in which they operate.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Company’s actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the section entitled “Risk Factors”, which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Company’s current views with respect to future events and are subject to these and other risks and uncertainties relating to the Company’s businesses, results of operations and growth strategy.

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not guarantees of future performance. The Company’s or the Group’s actual results of operations, financial condition, dividend policy and the development of the markets in which they operate may differ materially from the impression created by the forward looking statements contained in this document. In addition, even if the results of operations, financial condition and dividend policy of the Company or the Group (as the case may be), and the development of the markets in which they operate, are consistent with the forward looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to:

- the effect of the Proposed Acquisition;
- significant changes in exchange rates, interest rates and/or tax rates; and
- general local and global economic, political, business and market conditions.

Forward looking statements in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. In particular, any statement in this document which infers that the Proposed Acquisition may be earnings accretive or earnings enhancing does not constitute a profit forecast and should not be interpreted to mean that the earnings or net assets per Ordinary Share in the first full financial year following Completion, nor in any subsequent period, would necessarily match or be greater than those for the relevant preceding financial year.

You are advised to read this document in its entirety and, in particular, the sections of this document entitled “Summary”, “Risk Factors”, Part I – “Letter from the Chairman of Beale”, Part IV – “Operating and Financial Review on the Beale Group”, Part VIII – “Unaudited pro forma statement of net assets of the Group” and Part IX – “Summary of the principal terms and conditions of the Acquisition Agreement, Term Loan Agreement, IT Services Agreement and NED Agreement” for a further description of the factors that could affect the Company’s or the Group’s and, following Completion, the Enlarged Group’s future performance and the markets in which they operate. These sections should be read in conjunction with the other cautionary statements that are included in this document. In light of these risks and uncertainties, the events described in the forward looking statements in this document may not occur. Any forward looking statements in this document reflect the Company’s current views with respect to future events and are subject to these and other risks and uncertainties relating to the Company’s businesses, results of operations and growth strategy.

These forward looking statements apply only as of the date of this document. The Company undertakes no obligation publicly to update or review any forward looking statement, whether as a result of new information, future developments or otherwise, subject always to the continuing obligations of the Company to make relevant disclosures under the Listing Rules, Prospectus Rules and the Disclosure and Transparency Rules as are in force from time to time. Prospective investors and Shareholders are therefore cautioned not to place undue reliance on these forward looking statements and should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS

As required by the 2006 Act and Article 4 of the European Union IAS Regulation issued by the IASB, the consolidated financial statements of the Group are prepared in accordance with IFRS and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, as endorsed and adopted by the European Union. The other financial information in this document has also been prepared on the same basis.

3. PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all references in this document to “sterling”, “pounds sterling”, “£”, “pence”, “penny” or “p” are to the lawful currency of the UK. The Company prepares its financial statements in pounds sterling.

Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

4. THIRD PARTY INFORMATION

Where third party information has been used in this document, the source of such information has been identified.

5. GENERAL INFORMATION

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor and Shareholder should consult his, her or its own legal adviser, financial adviser or tax adviser for advice.

Certain information in relation to the Group has been incorporated by reference into this document. You should refer to Part XI of this document for further details.

6. INFORMATION NOT CONTAINED IN THIS DOCUMENT

No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Group, Shore Capital or Shore Capital Stockbrokers. Subject to the Listing Rules and/or the Prospectus Rules and/or the Disclosure and Transparency Rules, neither the delivery of this

document nor any acquisition of Ordinary Shares made in reliance upon it shall, in any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in it is correct as of any subsequent date.

No statement in this document is intended as a profit forecast and no statement in this document should be interpreted to mean that the earnings per Ordinary Share for the current or future years would necessarily match or exceed the historical published earnings per Ordinary Share.

Recipients of this document acknowledge that: (i) they have not relied on Shore Capital, Shore Capital Stockbrokers or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied only on the information contained in or incorporated by reference into this document and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, Shore Capital or Shore Capital Stockbrokers.

7. NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Company's website or any website directly or indirectly linked to the Company's website do not form part of this document and neither prospective investors nor Shareholders should rely on it.

8. REFERENCES TO DEFINED TERMS

Capitalised terms have the meanings ascribed to them in Part XIII of this document.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>Time and/or date</i>
Announcement of the Proposed Acquisition and suspension of trading in the Ordinary Shares	6 April 2011
Publication and posting of this document and Forms of Proxy	20 April 2011
Latest time and date for receipt of Forms of Proxy/CREST proxy instructions from Shareholders in response to the Resolutions	11.00 a.m. on 15 May 2011
Extraordinary General Meeting	11.00 a.m. on 17 May 2011
Expected date of announcement of results of the Extraordinary General Meeting through a Regulatory Information Service	17 May 2011
Expected date for completion of the Proposed Acquisition	22 May 2011
Expected date of cancellation of listing of Ordinary Shares and subsequent Readmission	24 May 2011

Notes:

- (1) References to times in this document are to London time (unless otherwise stated).
- (2) If any of the times and/or dates set out in the expected timetable of principal events shown above and mentioned throughout this document should change, the revised times and/or dates will be notified to the UK Listing Authority, the London Stock Exchange and by an announcement through a Regulatory Information Service.

DIRECTORS, SECRETARY AND ADVISERS

Directors

Mike Killingley	<i>Non-executive Chairman</i>
Tony Brown	<i>Chief Executive Officer</i>
Ken Owst	<i>Group Finance Director</i>
Keith Edelman	<i>Senior non-executive director</i>
Simon Peters	<i>Non-executive director</i>

The business address for each of the above is:

The Granville Chambers, 21 Richmond Hill, Bournemouth BH2 6BJ

Company Secretary	Chris Varley
Registered and Head Office	The Granville Chambers 21 Richmond Hill Bournemouth BH2 6BJ
Sponsor and Financial Adviser	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Stockbroker	Shore Capital Stockbrokers Limited The Corn Exchange Fenwick Street Liverpool L2 7RB
Solicitors to the Company	Blake Laphorn New Kings Court Tollgate Chandler's Ford Eastleigh SO53 3LG
Solicitors to the Sponsor	Pinsent Masons LLP 30 Crown Place London EC2A 4ES
Reporting Accountants to Beale	Deloitte LLP Abbots House Abbey Street Reading RG1 3BD
Auditors to Beale	Deloitte LLP Mountbatten House 1 Grosvenor Square Southampton SO15 2BZ
Reporting Accountants and Auditors to ARCS	KPMG LLP St James Square, Manchester M2 6DS
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

LETTER FROM THE CHAIRMAN OF BEALE

Beale PLC

(Incorporated and registered in England and Wales with registered number 2755125)

Directors

Mike Killingley (*Non-executive Chairman*)

Tony Brown (*Chief Executive Officer*)

Ken Owst (*Finance Director*)

Keith Edelman (*Senior non-executive*)

Simon Peters (*Non-executive*)

Registered Office

The Granville Chambers

21 Richmond Hill

Bournemouth

BH2 6BJ

20 April 2011

To the holders of Ordinary Shares

Dear Shareholder,

Proposed acquisition of 19 department stores from ARCS

Readmission of the Ordinary Shares to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange

Notice of Extraordinary General Meeting

Subscription by ARCS for new redeemable preference shares

Adoption of new articles of association

New performance share plan

1. INTRODUCTION

The Company announced on 6 April 2011 that it had entered into a conditional agreement to acquire the trade and assets of 19 department stores currently owned and operated by ARCS, a UK regional department store operator and co-operative society, for a total initial consideration of £7.5 million payable wholly in cash on completion of the Acquisition Agreement.

The consideration payable in respect of the Proposed Acquisition will be financed entirely by ARCS through the provision by it to JEB of a £2.5 million unsecured term loan and its subscription for £8.5 million principal of redeemable preference shares to be issued by the Company, further details of which are set out in paragraph 6 of this letter. The Board believes that the financing structure agreed with ARCS provides an attractive form of long-term debt for the Enlarged Group, particularly given the current financing environment. It is the Board's view that the Group would not have been able to obtain equivalent funds from alternative sources on better terms.

On Completion, ARCS will also pay a cash contribution to JEB of £2.3 million, £1.2 million of which must, within 12 months of Completion, be spent or be contractually committed to be spent on improvements to some or all of the Target Stores. Further financial contributions to support the viability of certain stores and to enable them to integrate into the Beale format, amounting in aggregate in the first year following Completion to approximately £2.4 million, will also be made by ARCS. These payments will be made provided JEB continues to trade the relevant stores. Following Completion, ARCS will continue to own and operate various in-store concessions relating to the sale of furniture, beds and floorcoverings and the provision of travel agency, optician and hairdressing services at certain of the Target Stores.

Further information regarding the Target Stores and the terms of the Proposed Acquisition are set out in paragraphs 3 and 4 of this letter.

Due to its size in relation to Beale, the Proposed Acquisition constitutes a reverse takeover under the Listing Rules. This document comprises a combined circular and prospectus on the Enlarged Group. The approval of Shareholders in general meeting is required prior to Completion and Readmission. Given the need for Shareholder approval of the Proposed Acquisition and the related allotment and issue of the Preference Shares to ARCS, it is proposed that the approval of Shareholders also be sought at the Extraordinary General Meeting for the adoption of the New Articles in order to reflect the rights which will attach to the Preference Shares but also to update the Existing Articles generally and to reflect various changes in company law which have become effective on full implementation of the 2006 Act and other related legislation in the UK.

It is also proposed that the Company adopt the Performance Share Plan, further details of which are set out in paragraph 9 of this letter. The Listing Rules require that Shareholder approval be sought for the adoption of any long-term incentive scheme.

Accordingly, an Extraordinary General Meeting of the Company is to be held at 11.00 a.m. on 17 May 2011 at the Norfolk Royale Hotel, Richmond Hill, Bournemouth BH2 6EN for the purpose of considering and, if thought fit, approving the Proposed Acquisition, the allotment and issue of the Preference Shares and the adoption by the Company of the New Articles and the Performance Share Plan. The notice convening the Extraordinary General Meeting is set out on pages 140 to 142 of this document. The subscription proposed to be made by ARCS for the Preference Shares and the making by it of the Term Loan are inter-conditional. If the necessary Shareholder approvals are not obtained at the Extraordinary General Meeting, the Proposed Acquisition will not be completed, no investment will be made by ARCS in the Group and the Ordinary Shares will recommence trading on the London Stock Exchange.

In addition, as indicated in paragraph 16 below, there will be serious adverse consequences for the Group which would in such circumstances be required to pay costs, fees and expenses associated with the Proposed Acquisition of approximately £1.1 million (plus VAT) out of its existing cash resources and give HSBC the right to immediately appoint reporting accountants to carry out an independent business review on the Company and the Group. It is not presently certain what the conclusion of such any such review would be, or what the bank would conclude would be necessary or desirable, but the consequences could be materially detrimental to the interests of Shareholders.

As the Proposed Acquisition is classed as a reverse takeover under the Listing Rules, upon the Effective Date the UK Listing Authority will cancel the listing of the Ordinary Shares. Applications will be made by the Company to the UK Listing Authority and the London Stock Exchange for the Ordinary Shares to be readmitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Readmission will become effective and that dealings will recommence in the Ordinary Shares at 8.00 a.m. on 24 May 2011.

The principal purpose of this document is to provide you with details of, and the background to, the Proposed Acquisition, to explain why your Board considers it to be in the best interests of the Company and Shareholders as a whole and to recommend that you vote in favour of the Resolutions set out in the Notice of Extraordinary General Meeting. **In this regard, your attention is drawn in particular to paragraph 16 below headed "Importance of the vote".**

2. BACKGROUND TO AND REASONS FOR THE PROPOSED ACQUISITION

The Group is, through JEB, engaged in the operation of a department store network, predominantly in provincial towns across the UK and currently operates 13 stores offering an assortment of merchandise, including womenswear, menswear, cosmetics, gifts, homewares, furniture, toys, electrical products and accessories.

ARCS is a large co-operative society in the UK and, following a management change three years ago, is currently following a strategy of focusing on its core food, furniture, travel and funerals businesses and divesting certain non-food operations. The Proposed Acquisition follows the purchase by JEB in September 2010 of the Rochdale store previously owned and operated by ARCS. Discussions commenced with ARCS last year with a view to the Group acquiring the majority of its department store operations. Following

Completion, ARCS will continue to own and operate just four department stores as well as its core furniture, food, travel and funerals operations.

One of the Group's main objectives is to become a leading regional department store retailer. It is the Board's belief that this objective will principally be achieved through acquisition with the aim of returning the Group to profitability and by ensuring, as far as possible, that new acquisitions make a positive contribution, whilst maintaining control of the Group's cost base. The Board is also committed to developing a customer focused department store group that provides quality products and merchandise, competitively priced to meet the requirements of the local communities that the Group serves.

The Group's other short-term strategic initiatives include seeking to work with brand partners and a proven supply base, whilst continuing to enhance its current portfolio of stores. Beale will also continue to develop its merchandise range in order to better meet customer needs and seek to reduce the Group's cost base as a proportion of overall trading space.

Your Board believes that the Proposed Acquisition represents a logical platform from which to further develop its existing businesses. It is both strategically and financially attractive for the following reasons:

- the Proposed Acquisition will add a further 19 stores and approximately 450,000 square feet of trading space, excluding ARCS' concessions (current Group total: approximately 555,000 sq. ft) and in the financial year ended 4 September 2010, the Business generated approximately £61.0 million of gross sales (including concessions and VAT);
- the current performance of the Target Stores is below the Beale Group average in terms of sales and profit per square foot, providing potential upside;
- the consideration payable for the Proposed Acquisition is to be entirely financed by ARCS;
- the Group will receive a £2.3 million one-off cash contribution from ARCS, some of which will provide funding for the immediate expected capital expenditure requirements of certain of the Target Stores;
- the Group will also receive ongoing financial contributions from ARCS which aim to mitigate anticipated trading risks at certain of the Target Stores and assist trading performance; and
- combining the Target Stores with the existing Group offers additional scope for certain cost savings and revenue synergies to be implemented in the Enlarged Group.

The Board believes that cost synergies may be achieved principally by optimising purchasing arrangements, improving the efficiency of the Enlarged Group and by reducing duplication of functions where appropriate. It also believes that optimising the sourcing of merchandise will yield improved margins for both the Target Stores and the Group's existing stores. It is anticipated that increases in sales may be achieved by the introduction of new departments and by adding already proven brands and products to the Target Stores. The Directors believe that these benefits can be delivered and the Target Stores successfully integrated without significant disruption to the underlying operations of the businesses of the Enlarged Group.

The Directors believe that the Proposed Acquisition will be earnings enhancing.

3. INFORMATION ON THE TARGET STORES

The Group proposes to acquire leasehold interests in 19 of the 23 department stores currently owned and operated by ARCS across the UK and trading principally under the "Westgate" brand together with a warehouse property. The Enlarged Group will receive ongoing financial contributions from ARCS. The amounts payable will vary for each individual store with the overall level of contribution dependant on its notional categorisation as a group "A", "B" or "C" store. Set out in the table which appears in section 1 of Part IX of this document are summary details of the Target Stores by location and category.

JEB intends to continue operating the Group's existing branding policy in the Business in order to maintain customer confidence and to assist in direct marketing. The Target Stores' trading square footage varies

considerably from Diss (at approximately 6,000 sq. ft.) to Mansfield (trading from approximately 94,000 sq. ft). Over a period of time, certain of the Target Stores may be re-branded with one or more of the Beale trading names, although no specific decisions will be taken until after Completion.

The range of departments traded in the Target Stores is similar to that already traded within the Beale Group. The smaller Target Stores are generally more focused on fashion with the larger stores carrying a full department store offering. In those Target Stores that currently have established furniture, beds, floorcoverings, travel, optician or hairdressing businesses, the relevant departments will continue to be operated by ARCS on a concession basis.

4. TERMS OF THE PROPOSED ACQUISITION

Under the terms of the Acquisition Agreement, JEB will acquire the fixed assets, contracts and goodwill associated with the Target Stores (including the “Westgate”, “Contact Electrical Homestores” and “Comfortmaker” brands) for a nominal consideration and stock, forward orders and cash floats at valuation. In addition, JEB will be required within six months following Completion (or by 27 December 2011 if earlier) to purchase for sale through the Target Stores further stocks held at ARCS’ distribution centre in Peterborough.

The Target Stores presently employ approximately 830 staff in total whose employment, together with that of certain ARCS head-office employees engaged primarily in the Business, will transfer to JEB on Completion. The employment of a further ten ARCS employees previously engaged in its buying department was transferred to JEB with effect from 1 February 2011 pursuant to the terms of an agreement under which ARCS transferred to JEB all its buying functions associated with the Target Stores (excluding those in respect of furniture, electrical items and concessions). Further details of this agreement are provided in paragraph 12.1(g) of Part X of this document. The principal terms and conditions of employment of transferring employees will be safeguarded. However, given the continuing uncertain economic outlook, the Acquisition Agreement provides that, in the event any restructuring exercise is required, ARCS will indemnify JEB in respect of certain severance payments which may be made by it to any of the employees of the Business up to various dates following Completion.

As at the date of this document, the formal consent of the relevant landlords to the assignment, sub-letting or underletting (as appropriate) of the Target Stores located in Abingdon (including the warehouse property), Chipping Norton, Cinderford and Kings Lynn still remains to be given although consent in principle has been obtained in respect of all those properties and formal licences are in the process of being negotiated. Although it is anticipated that all landlord’s consents will be in place by Completion, to cover the possibility that some may not be available and, in any event, in relation to the Target Store located in Skipton (the lease of which is not capable of assignment or underletting), the Group will, rather than taking an approved assignment or underletting, occupy the relevant property under separate concession based terms agreed between itself and ARCS. This will enable the Group to acquire the businesses carried on at each of the Target Stores on Completion and, in respect of those stores where landlord’s consent has not been obtained, provide a further 12 months in which to obtain the consent, failing which JEB must decide whether to take an assignment or underletting (in any event at its own risk) or close the relevant Target Store.

The Group understands that occupying any leasehold property in this way could potentially put it in breach of the relevant lease and at risk of a claim being made by the landlord for any loss suffered. ARCS has agreed to indemnify the Beale Group in this circumstance for any closure costs and (at Skipton only) any loss arising from the seizure of stock. However, failure to obtain landlord’s consent in respect of any one Target Store will not affect the acquisition by the Group of the other Target Stores.

The precise level of consideration payable by JEB will be determined following the preparation and agreement of a completion statement and finalisation of a stock valuation process (which is intended to be achieved within two months of Completion).

Completion of the Proposed Acquisition, drawdown of the Term Loan and the issue by the Company to ARCS of the Preference Shares are conditional on obtaining the approval of Shareholders to certain of the Resolutions at the Extraordinary General Meeting. If the necessary approvals of Shareholders are not obtained, the Acquisition Agreement will terminate in its entirety and the Proposed Acquisition will not proceed.

Given the relative size of the Proposed Acquisition and the comparative scale of the Group's existing IT function, JEB and ARCS have agreed, pursuant to the IT Services Agreement, that ongoing IT support for the EPoS systems used in the Target Stores will continue to be provided by ARCS (or its suppliers) at nominal cost to the Enlarged Group for a period of up to four years from Completion, by which time JEB will assume full responsibility for its IT requirements and thereafter operate on a stand alone system. Any requirements for system updates, including the replacement of EPoS terminals and other equipment, will be undertaken and paid for by the Enlarged Group.

Further details of the Acquisition Agreement (and the conditions thereto) and the IT Services Agreement are set out in Part IX of this document.

5. FINANCIAL INFORMATION ON THE BUSINESS

A summary of the audited historical financial information on the Business for the three years ended 6 September 2008, 5 September 2009 and 4 September 2010, and for the period from 5 September 2010 to 22 January 2011 is set out below. The period to January 2010 is unaudited.

	<i>Financial years ended September</i>			<i>20 weeks ended January</i>	
	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2010</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross sales (VAT inclusive)	66,583	60,468	61,062	26,537	26,367
Gross sales (VAT exclusive)	60,620	55,518	55,600	24,212	23,700
(Loss) before taxation	(3,751)	(3,998)	(4,899)	(1,178)	(2,243)
(Loss) after taxation	(2,701)	(2,879)	(3,527)	(848)	(1,615)
Gross assets	11,568	9,920	11,575	N/A	12,520
Net assets	5,735	2,691	5,916	N/A	6,393

Shareholders should read the whole of this document and not rely solely on the summary financial information set out above.

Please refer to the unaudited pro forma statement of net assets of the Group in Part VIII of this document for further information about the financial effects of the Proposed Acquisition including an illustration of the effect the Proposed Acquisition might have had on the consolidated net assets of the Group as at 30 October 2010 on the assumption that the Proposed Acquisition was completed on that date.

6. FINANCING

As described above, the Group proposes to finance the Proposed Acquisition and fulfil certain of the further ongoing working capital requirements of the Enlarged Group, *inter alia* through the provision by ARCS to JEB of an unsecured term loan of £2.5 million and the issue by the Company to ARCS of £8.5 million principal of Preference Shares.

Term Loan

The Term Loan will become available to JEB and be fully drawn down by it on Completion. The principal amount owing on the Term Loan will be repayable over a period of five years in instalments of £250,000 made at six monthly intervals commencing on 31 October 2011, or earlier without penalty if JEB so elects. Interest will be charged quarterly in arrears with effect from Completion at the rate of 4 per cent. per annum over the LIBOR rate (as defined in the Term Loan Agreement) increasing to 6 per cent. over LIBOR in the

event of a default which is not remedied within 12 months. If certain events of default occur, the Term Loan will be immediately repayable on demand.

Further details of the Term Loan Agreement are provided in Part IX of this document.

Preference Shares

Preference Shares having a nominal value of £8.5 million will be subscribed for by ARCS in cash and issued by the Company on Completion. No coupon is payable on the Preference Shares until the date falling five years after Completion but thereafter, ARCS will be entitled to receive in priority to the payment of dividends to the holders of Ordinary Shares a fixed net cash cumulative dividend of 8 per cent. per annum on the capital paid up on the Preference Shares for a period of 48 months (the first such dividend being payable on 30 November 2016) and thereafter, until their redemption in full, a dividend of 9 per cent. per annum. In the event of a default which is not remedied within twelve months, the effective dividend accruing on the Preference Shares will increase by 4 per cent. per annum.

The Preference Shares will, subject to the provisions of the 2006 Act, be redeemable by the Company at par in equal instalments of £500,000 made at six monthly intervals also commencing on 30 November 2016, or earlier (together with any arrears or accruals of dividend) if the Company so elects.

The Preference Shares will also, following the third anniversary of Completion but not, save for transfers intra-group before that date, be freely transferable by ARCS to a maximum of five transferees in multiples of at least £500,000. The Preference Shares will not be capable of being dealt in on any stock exchange in the United Kingdom or elsewhere and no application for any public listing or quotation of the Preference Shares will be made. The holder(s) of the Preference Shares will be entitled to receive notice of and to attend any general meeting of the Company but will generally have no entitlement to vote thereat.

Beale will be required to ensure that no interim or final dividends are paid to Shareholders or otherwise declared by it, in any particular year, prior to JEB having made all repayments of the Term Loan then due and payable and Beale having effected, as of the date any such dividend is declared or paid, all redemptions of the Preference Shares then required to have been made. The Company has also undertaken to ensure, to the extent within its power or under its control, that its distributable reserves are no less than the nominal value of the Preference Shares in issue from time to time.

In the event that the Company defaults in the payment when due of any amount of principal or dividend due on the Preference Shares or on a winding-up of the Company (but not otherwise), ARCS (and any other holder(s) of such shares) will have the option to convert some or all of their outstanding Preference Shares into such number of Ordinary Shares (calculated by reference to a customary formula) as represents in aggregate up to (but no more than) 9.99 per cent. of the issued ordinary share capital of the Company. The Ordinary Shares which arise on conversion will be credited as fully paid and rank equally in all respects with the Ordinary Shares then in issue and be admitted to the Official List and to trading on the London Stock Exchange's main market within 20 business days from issue.

On Completion, the Company will contribute the subscription monies received by it for the Preference Shares to JEB to enable it to satisfy the consideration payable under the Acquisition Agreement. The balance of the amount subscribed for the Preference Shares and the Term Loan remaining after payment of the initial consideration due to ARCS on Completion and settlement of costs and expenses together with the £2.3 million cash contribution payable to JEB (which will together total approximately £4.5 million) will be available for use by JEB in all its businesses.

Further details of the rights attaching to the Preference Shares and the other relevant provisions of the New Articles are provided in paragraph 4.5 of Part X of this document.

7. INTEGRATION

Following completion of the Proposed Acquisition, the Enlarged Group will continue to be managed by the current executive Directors. For so long as Preference Shares having a nominal value of at least £4.25 million remain in issue and are held by ARCS or an associated company or the Term Loan remains outstanding,

ARCS will have the ability, after the date falling three months' from Completion, to appoint its most senior executive to the boards of directors of both the Company and JEB.

The integration of the Target Stores into the Group's existing business will be overseen by the executive Directors and the senior management of the Group with support as necessary from external integration specialists. A dedicated integration team comprising members of the Group's operational management has been established and will remain in place both before and after Completion. This team will include an integration director, operational staff and a project manager and will also draw on internal Group expertise in the areas of training, IT, visual merchandising and HR together with other individuals having experience in merchandising, finance, IT and human resources providing support from the Group's head office in Bournemouth.

The Company has, together with ARCS, undertaken a joint IT systems integration review and concluded that the Beale systems software provided by Microsoft Dynamics will be used as the basis for the Enlarged Group's stock management platform. Each of the Target Stores will, in the medium term, continue to operate on its existing EPoS platform, with interfaces providing a link to the Beale Group's central systems control function. It is expected that over time and where necessary, the Target Stores' EPoS systems will be replaced. The detailed basis on which IT systems integration and support will initially be achieved within the Business is provided for in the IT Services Agreement, further details of which are set out in Part IX of this document.

8. RISK FACTORS AND ADDITIONAL INFORMATION

Your attention is drawn to the "Risk Factors" section set out on pages 10 to 16 of this document and the additional information in respect of the Group and the Business set out in Part X. Shareholders and prospective investors are advised to read the whole of this document and not rely solely on the summary information contained in this letter.

9. THE PERFORMANCE SHARE PLAN

The Company proposes to introduce the Performance Share Plan to enable the Remuneration Committee to grant long-term equity-based awards to Company executives and employees which are aligned to the interests of Shareholders. The Remuneration Committee will supervise the operation of the Performance Share Plan.

A full summary of the principal terms of the Performance Share Plan is set out in paragraph 6.2 of Part X of this document.

10. CURRENT TRADING AND PROSPECTS

On 27 January 2011, Beale announced its preliminary results for the financial year to 30 October 2010. Beale commented as follows:

"Results

The Group loss before taxation of £668,000 showed further progress on the previous year, when the loss was £987,000. The underlying improvement was more substantial than this, as we incurred a loss of £271,000 in the two stores acquired during the year, much of which was attributable to start-up costs.

Our two new stores were Robbs of Hexham and the former Westgate department store in Rochdale. Robbs was acquired from administrators in June and we signed a new 15 year lease, in respect of which we received significant commercial inducements. Following an extensive review of the business, we made substantial changes, refurbished the store and relaunched it in September. It is now one of our larger stores by turnover.

In September we signed a 25 year lease on the Rochdale store, with significant commercial inducements, and relaunched it under the name of Whitakers in October.

The Group's gross sales increased by 2.7% to £87.2 million; these include concession sales and VAT, as well as the sales of the new stores. The VAT increase during the year contributed about 1.4% of the increase.

Revenue, which excludes VAT and includes only the commission element of concession sales, was 2.1% higher than in the previous year at £48.6 million. Like for like revenue, excluding the new stores, declined by 2.1%.

Like for like gross margins were comparable to those in the previous year at 54.2% (2009: 54.5%). Robbs of Hexham includes a substantial food store, which operates at lower margins than our usual department store business, with the result that the overall margin declined slightly to 53.7%.

Despite the new acquisitions administrative expenses were well controlled, and were £148,000 lower at £26.5 million.

Our net debt increased, and at the year-end was £8.1 million (2009: £6.4 million). The seasonality of our business means that our borrowings are at their highest around the year end. The increase was largely attributable to the costs of acquiring and refurbishing our new stores and supporting the higher working capital investment in the enlarged Group.

Trading update

Retail sales were seriously affected by snow throughout the country in November and early December. Gross sales for the 11 weeks ended 15 January 2011 were 4.6% higher than for the equivalent period last year.

For the 5 week period from 6 December 2010 to 15 January 2011, following the worst of the adverse weather conditions, gross sales were 16.3% higher than in the previous year. The comparison is flattered to some degree by the snow which affected parts of the country in the first half of January 2010.

Dividend

No dividend is proposed.

Shareholders and Board

In February 2010, Panther Securities plc, a listed property investment company, acquired shares which lifted the shareholding of Panther and its major shareholder Andrew Perloff, from just under 10% to 29.72%. These shares were acquired from Lawdene, previously our largest shareholder, whose interest in the Company is now 4.5%.

In April 2010 Simon Peters, finance director of Panther Securities, joined the Board as a non-executive director.

Staff

The steady improvement in the Group's performance in the difficult trading environment would not have been possible without the exceptional commitment of our staff. On behalf of the Board and shareholders I thank them for their unstinting contribution.

Banking facilities and going concern

During September 2010 we were pleased to announce that the Group's £9.0 million term loan facility, which was due to expire in February 2011, had been replaced by a new 2 year revolving loan facility, also of £9.0 million, expiring on 31 August 2012. We also have a modest overdraft facility.

We have continued to trade comfortably within our facilities throughout the past year, and have met all our banking covenants. Our forecasts show 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.

Outlook

The increase in VAT on 4 January 2011, and the effect of the Government's tighter fiscal policy, continues to make the retail sector challenging.

Despite this, we believe that our trading strategy will generate further improvements in the Group's underlying performance. We shall also continue to seek new opportunities to increase the size of the Group with the acquisition of additional stores, which could be managed without a material increase in the size of our head office."

At the Annual General Meeting of the Company held on 17 March 2011, the Chairman stated:

"Gross sales for the 19 weeks to 12 March 2011, including concessions and the two new stores acquired in 2010, were 5.9% higher than for the previous year, like-for-like sales declined by 6.2%. For the first quarter, to 29 January 2011, gross sales were up 4.9% on the previous year.

As noted in the Annual Report, trading in the current year has been significantly adversely affected by the worst pre Christmas snowfalls for 30 years. However since the weather improved we have made progress in recapturing the lost sales; gross sales during the latest six-week period since 29 January, including concessions and new stores, were 9.4% up on the previous year and like-for-like sales were 4.7% lower.

The Board is pleased that first quarter sales were achieved at an improved gross margin compared with the previous year, despite the promotional discounting required to be competitive over Christmas.

Furthermore, like for like expenses were lower than the previous year as we continued to focus on cost reduction, albeit total expenses increased as a result of the acquisition of the two new stores.

The increase of VAT on 4 January 2011 and the effect of the Government's tighter fiscal policy mean that the remainder of the year will be challenging, but the Board believes the strategies and actions being taken will in due course improve the Group's financial performance".

The Board believes that the Enlarged Group will be well placed both operationally and financially to drive continued growth for the remainder of 2011 and into future years.

11. EXTRAORDINARY GENERAL MEETING

As described above, completion of the Proposed Acquisition, the making of the Term Loan and the subscription by ARCS for the Preference Shares are each subject to the approval by Shareholders at the Extraordinary General Meeting of Resolutions 1, 2, 4 and 5 referred to below. The Board also believes that adoption by the Company of the Performance Share Plan pursuant to Resolution 3 is necessary for the future incentivisation of the executive Directors and other key employees.

Accordingly, you will find set out on pages 140 to 142 of this document the Notice convening the Extraordinary General Meeting to be held at 11.00 a.m. on 17 May 2011 at the Norfolk Royale Hotel, Richmond Hill, Bournemouth BH2 6EN at which the following Resolutions will be proposed:

Resolution 1

Resolution 1 proposes that, in accordance with and subject to the terms of the Acquisition Agreement, the Proposed Acquisition be approved.

Resolution 2

In order for the Directors to issue the Preference Shares for cash other than on a pre-emptive basis the Directors require the necessary authorisations by Shareholders to allot those shares under the 2006 Act. Resolution 2 proposes that the Directors be authorised to allot shares in the Company up to a maximum nominal amount of £8,500,000, representing the 8,500,000 new Preference Shares to be issued in connection with the Proposed Acquisition. This authority will expire on the first anniversary of the date the resolution is passed.

Resolution 3

Resolution 3 comprises a resolution to approve and to authorise the Directors to implement the Performance Share Plan.

Resolution 4

Resolution 4 will be proposed as a special resolution. Resolution 4 proposes that, conditional upon the passing of resolution 2 referred to above, the Directors be empowered to disapply pre-emption rights to the extent necessary in relation to the allotment of the Preference Shares in connection with the Proposed Acquisition. This authority will also expire on the first anniversary of the date the resolution is passed.

Resolution 5

Resolution 5 will also be proposed as a special resolution and proposes that, subject to and conditional upon the passing of Resolutions 1, 2 and 4, the New Articles be approved and adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the Existing Articles. An explanation of the principal differences between the New Articles and the Existing Articles and a detailed summary of the key provisions of the New Articles are set out in paragraph 5 of Part X of this document.

The authorities sought by Resolutions 2 and 4 are being sought in addition to those obtained at the Annual General Meeting of the Company held on 17 March 2011.

12. ACTION TO BE TAKEN

You will find enclosed with this document a Form of Proxy for use by Shareholders at the Extraordinary General Meeting or any adjournment thereof. Whether or not you intend to be present at the Extraordinary General Meeting, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed on it and to return it as soon as possible and, in any event, so as to be received by Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 11.00 a.m. on 15 May 2011, being 48 hours before the time of the Extraordinary General Meeting.

If the Form of Proxy is not returned or (as appropriate) a CREST proxy instruction is not submitted by 11.00 a.m. on 15 May 2011, your vote will not count unless you attend in person at the Extraordinary General Meeting. The completion and return of a Form of Proxy or CREST proxy instruction will not prevent you from attending the Extraordinary General Meeting and voting in person if you wish to do so.

13. DELISTING, CANCELLATION OF TRADING, READMISSION AND DEALING

As the Proposed Acquisition constitutes a reverse takeover under the Listing Rules, the London Stock Exchange and the UK Listing Authority respectively will cancel trading in the Ordinary Shares on the London Stock Exchange's main market for listed securities, and the listing of the Ordinary Shares on the Official List, on the Effective Date. Applications will be made to the UK Listing Authority and to the London Stock Exchange for the Ordinary Shares to be readmitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that, subject to the conditions of the Acquisition Agreement and the Introduction Agreement being satisfied or, where permitted, waived and subject also to the timing of the satisfaction or, where permitted, waiver of such conditions, Readmission will become effective and that dealings in Ordinary Shares will recommence on the London Stock Exchange at 8.00 a.m. on the Effective Date.

14. CREST

The Existing Articles already (and the New Articles will) permit the holding of Ordinary Shares under the CREST system. The Company will apply for the Ordinary Shares to be readmitted to CREST on the Effective Date. Accordingly, settlement of transactions in Ordinary Shares following Readmission may continue to take place within the CREST system if any Shareholder so wishes.

15. IRREVOCABLE COMMITMENTS

The Company has obtained irrevocable undertakings to vote in favour of the Resolutions at the Extraordinary General Meeting from Shareholders (including each of the Directors and/or their relevant connected parties) holding 7,036,540 Ordinary Shares in aggregate, representing approximately 34.28 per cent. of the Company's existing issued share capital.

16. IMPORTANCE OF THE VOTE

The Resolutions relating to approval of the Acquisition Agreement, the issue of the Preference Shares on a non pre-emptive basis and adoption of the New Articles must be passed by Shareholders at the Extraordinary General Meeting in order for the Proposed Acquisition to proceed. If these Resolutions are not passed and the Proposed Acquisition does not take effect, there will be serious adverse consequences for the Group as the Company will not be able to operate within the borrowing limits available under its existing revolving credit loan facility with HSBC of £9.0 million, will breach its revised banking covenants and have insufficient working capital for the following 12 months. The consequences of this would (as described below) be materially detrimental to the interests of Shareholders.

The Company will be required to pay professional fees and expenses associated with the Proposed Acquisition of approximately £1.1 million (plus VAT) (which otherwise would have been payable out of the one-off cash contribution payment to be made by ARCS on Completion) out of its existing cash resources.

Furthermore, the net proceeds of the Term Loan and Preference Share subscription proposed to be made by ARCS, which would have been available for use in all of the Enlarged Group's businesses after satisfaction by JEB of the initial consideration payable under the Acquisition Agreement, will not be received.

HSBC is supportive of the Proposed Acquisition and has consented to it and, as described on pages 127 and 128 of this document, HSBC has varied the financial covenants contained in the Company's loan facility in order to allow the Proposed Acquisition to proceed.

However, as part of the agreement reached with it, HSBC requires that if the Proposed Acquisition does not proceed, it will have the right to immediately appoint reporting accountants, at Beale's cost, to carry out an independent business review and report on such matters relating to the Company and the Group as HSBC (acting reasonably) considers necessary or desirable. It is not presently certain what the conclusion or the consequences of any such review would be, or what the bank might conclude would be necessary or desirable.

In the absence of the financing that would otherwise have been provided by ARCS, it is, in any event, likely that the Group would breach the covenant relating to available headroom which would be tested within 28 days of the first test date of 31 July 2011.

Without the Proposed Acquisition proceeding, the Company would have available to it a limited range of options to reduce borrowings or deal with any potential covenant breach, which it would start to implement as soon as possible if the necessary Resolutions were not passed at the Extraordinary General Meeting. Such actions would include reducing the Group's cost base, reducing capital expenditure and conserving cash through stricter working capital management. Asset disposals might also be possible. Taken together, these actions would assist the working capital position. However, if such actions were insufficient to reduce borrowings sufficiently or address the risk of a covenant breach (as, in the opinion of the Directors, is almost certain given the available timeframe), the Company would seek to agree with HSBC (who, as described above, have been supportive of the Company's request to amend its existing facility and make the Proposed Acquisition) that the relevant covenants be relaxed or that any breach of such covenants be waived.

Discussions with HSBC concerning banking covenants would commence immediately. However, in light of their previous discussions and given that the financing from ARCS will no longer be available, the Directors believe it is unlikely that the Group would be able to secure such an amendment or waiver from HSBC. In those circumstances, the Company would attempt to seek alternative sources of financing, for example, by way of a new issue of Ordinary Shares. In these circumstances and within the required timeframe, the Directors believe that an equity fundraising would in practice be very difficult, or impossible, to achieve and

cannot be confident of the success of such a course of action. Even were it possible, the dilutive effect on Shareholders could be considerable.

A breach by the Company of any of its banking covenants would constitute an event of default under the facility. As a consequence, HSBC could immediately cancel its facilities and demand immediate repayment of all amounts due to it. If the Company were unable to reach agreement with HSBC or an alternative lender, it would be unable to repay its existing facilities in full. The shortfall would equal the amount of all outstanding borrowings at the time, up to the maximum borrowing limit of £9.0 million. In this event, HSBC would have the right (among others) to enforce the security held by it over the principal assets of the Group, immediately exercise its rights to appoint a receiver or administrator and commence formal insolvency proceedings failing which the Company would be likely to seek itself the protection of a formal insolvency process, probably administration.

If that were the case, the value of an Ordinary Share would decline and result in investors losing most or all of their investment in the Company.

Accordingly, to avoid this outcome, the Directors believe it is important that Shareholders vote in favour of the relevant Resolutions in order that the Proposed Acquisition can proceed.

17. RECOMMENDATION

For the reasons described in this letter, the Board considers the Proposed Acquisition, the allotment and issue of the Preference Shares and the adoption of the New Articles and the Performance Share Plan to be in the best interests of the Company and Shareholders as a whole.

Accordingly, the Board are unanimously recommending that you vote in favour of all the Resolutions at the Extraordinary General Meeting.

Yours faithfully

Mike Killingley
(Non-Executive Chairman)

PART II

INFORMATION ON THE BEALE GROUP

1. INTRODUCTION

The Group was admitted to listing on the London Stock Exchange in 1995 and currently operates 13 department stores from a head office in Bournemouth. The flagship store is also based in Bournemouth.

The Group trades under a variety of brands including Beales in Bedford, Bournemouth, Horsham, Kendal, Poole, Tonbridge, Winchester and Worthing, as Broadbents & Boothroyds in Southport, as Denners in Yeovil, as Robbs in Hexham (acquired on 4 June 2010) and as Whitakers in Rochdale (acquired from ARCS on 5 September 2010) and Bolton.

The Group owns the principal freehold parts of the Bedford, Kendal and Yeovil stores. All other stores are occupied on a leasehold basis.

2. HISTORY AND DEVELOPMENT

The business operated by the Group was founded in 1881 by Mr J.E. Beale who opened a shop on part of the site of the existing Bournemouth store. Over time the Company developed and expanded acquiring adjoining properties to enlarge the original shop into a department store.

The Group has grown both organically and through acquisition. Initially a second department store was purchased in Bournemouth in the 1920s followed by expansion outside of Bournemouth with the opening of a third store in Poole in 1969. The Group has continued to develop over time through the acquisition or opening of further stores as follows: Bedford (1980), Winchester (1991), Southport (1993), Bolton (1996), Kendal and Yeovil (1999), Tonbridge and Worthing (2002), Horsham (2006) and Hexham and Rochdale (2010).

3. THE GROUP'S BUSINESS

3.1 Overview

Department stores are established retail formats in the UK. Beale seeks to appeal to a wide range of customers within the catchment areas that it serves.

The stores within Beale's portfolio select merchandise categories and ranges which are focused on satisfying the needs of its customer base within the catchment area served by each store to maximise contribution per square foot.

Merchandise is sourced directly by the Group and is also provided by suppliers and other retailers operating in-store concessions who are typically required to pay a commission to the Group based on the level of sales achieved. Sales volumes and contributions per square foot vary from department to department and from store to store.

The Group's sales mix by category is as follows:

- womenswear;
- menswear;
- homewares;
- fashion accessories;
- furniture and carpets;
- cosmetics;
- electrical goods;
- catering;

- gifts and stationery;
- miscellaneous; and
- food (in the Hexham store).

The particular mix of sales categories varies from store to store depending on store size and the nature of the competition around each trading location. The precise range and size of each department is targeted to the individual needs of each locality. The principal merchandise categories across all the Group's stores are mens and womenswear, cosmetics, fashion accessories, gifts, homewares and catering. Certain products are sourced from Associated Independent Stores Limited ("AIS"), a buying group that supplies independent retailers.

Womenswear

Various womenswear ranges are sold in the Group's stores and comprise a wide variety of branded merchandise such as Country Casuals, Jaeger, Jacques Vert, Précis, Planet, Gerry Weber, Joules, Phase Eight, Basler, Fransa, Wallis, Noa Noa and Windsmoor.

Menswear

Menswear ranges comprise an assortment of brands such as Jaeger, Joules, Crew, Henri Lloyd, Duck and Cover, Levis, Barbour, Ben Sherman, Timberland and McNeal. These ranges are supplemented by merchandise sourced by the Group from AIS.

Homewares

Homewares products include linens, cookware, china, glass and cutlery. The Group or its concession partners sell a wide variety of brands in these categories including Dorma, Christy, Sanderson, Bedeck, Wedgwood, Portmeirion, Montgomery and Arthur Price. Beale has also introduced an exclusive range of own label homeware that it has branded as "homebasics", which seeks to offer both value and quality.

Fashion accessories

The fashion accessory range sold in the Group's stores includes men's and women's shoes, lingerie, hosiery, gloves, scarves, handbags, luggage and fashion jewellery and comprises brands such as Jane Shilton, Radley, Guess, Ted Baker, Triumph, Elbeo, Pretty Polly, Charnos, Dents, Shilton, Tula, Antler and Samsonite.

Furniture and carpets

Furniture and carpets are sold in six of the Group's stores. The ranges on offer are sourced principally through AIS and include brands such as Ercol, Collins and Hayes, Slumberland, Relyon and Axminster.

Cosmetics

Beale sells a number of international cosmetic and fragrance brands in the Group's stores including MAC, Estée Lauder, Clinique, Clarins, Lancôme, Christian Dior, Sisley, Laura Mercier and YSL.

Electrical goods

A range of electrical goods are sold in various of the Group's stores.

Catering

The Group or its concession partners operate catering outlets in each store. As well as providing customer convenience, these outlets generate additional revenue in their own right.

Gifts and stationery

Beale offers customers a wide range of personal and household gift ranges across its stores which are supplemented by specific seasonal products. Stationery ranges are based on a selection of greetings cards with other personal and business stationery products being offered in the larger stores.

Miscellaneous

In addition to the above categories, the Group or its concession partners operate other departments, including haberdashery, knitting yarns, travel and hairdressing in a number of its stores.

Credit

The Group offers its own store credit card and also provides interest free instalment credit to customers purchasing electrical goods, furniture and carpets and other “big ticket” items. Credit sales form a significant percentage of Group turnover. Approximately 57,000 of the Group’s store card accounts were used at least once in the last financial year. The Group’s store card is operated in a similar manner to other credit card products with customers receiving a monthly statement and an interest free period for payment. Balances outstanding after that period are currently charged at up to 1.87 per cent. per month, equivalent to an APR of 24.9 per cent. The Group’s store credit cards entitle holders to:

- a 10 per cent. discount on their first purchase; and
- monthly mailed offers providing access to various discounts on specified items.

At 30 October 2010, approximately £2.6 million of credit was outstanding on in house credit accounts and of this, about half was interest bearing. Total gross interest received by the Group on these accounts was approximately £391,000 for the 52 weeks ended on that date.

3.2 *Divisional financial information*

Details of the Group’s department stores appear below:

<i>Location</i>	<i>Approximate gross sales (excluding VAT) by store for the year ended 30 October 2010²</i>	
	<i>Approximate selling space Sq ft</i>	<i>£’m</i>
Beales stores		
Bedford	25,000	4.2
Bournemouth	79,000	14.4
Horsham	33,000	4.0
Kendal	24,000	4.8
Poole	44,000	8.7
Tonbridge	37,000	4.9
Winchester	19,000	2.5
Worthing	56,000	7.9
Whitakers stores		
Bolton	55,000	5.1
Rochdale ¹	30,000	0.3
Broadbents & Boothroyds store		
Southport	34,000	7.3
Denners store		
Yeovil	54,000	7.7
Robbs store		
Hexham ¹	65,000	2.5
Total	555,000	74.3

Notes:

1. Hexham was acquired on 4 June 2010 and Rochdale was acquired on 5 September 2010.
2. Excludes interest on customer credit accounts.

4. KEY MARKETS AND COMPETITIVE POSITION

4.1 *Competitive position*

The Group operates in the competitive department store sector. The Group's main competitors vary from location to location. The Group competes with peers such as Debenhams, John Lewis and House of Fraser. General UK retail competition has further intensified over time through the development of internet trading and regional shopping centres such as West Quay in Southampton and the Metro Centre near Newcastle.

4.2 *Principal markets*

Beale's operations are entirely focused on the UK market. The Group currently has 13 department stores ranging from Hexham in the north to Bournemouth in the south.

5. STRATEGY

The Group's main objective is to become a leading regional department store retailer. It is the Board's belief that this objective will principally be achieved through acquisition with the aim of returning the Group to profitability. The Board is committed to developing a customer focused department store group that provides quality products and merchandise, competitively priced to meet the requirements of the local communities that the Group serves.

The Group's other short-term strategic initiatives include seeking to work with brand partners and a proven supply base, whilst continuing to enhance the Group's current portfolio of stores. Beale will also continue to develop its merchandise range in order to better meet customer needs and seek to reduce the Group's cost base as a proportion of overall trading space.

6. EMPLOYEES

The Directors believe that the Group's employees will be fundamental to the success of the Enlarged Group. Beale's average monthly number of employees for the last three years was as follows:

<i>The average number of persons (including directors) employed by the Group during the year</i>	<i>Financial years ended</i>		
	<i>1 November 2008</i>	<i>31 October 2009</i>	<i>30 October 2010</i>
Full time	428	392	417
Part time	750	705	684
	<u>1,178</u>	<u>1,097</u>	<u>1,101</u>

7. SUMMARY OF FINANCIAL INFORMATION

The tables below set out selected financial information for Beale for each of the three financial years ended 1 November 2008, 31 October 2009 and 30 October 2010. The information has been extracted without material adjustment from the audited consolidated financial statements of Beale incorporated by reference in Part XI of this document. **In order to make a proper assessment of the financial performance of Beale's businesses, prospective investors and Shareholders should read this document as a whole and not rely solely on the key or summarised information in this section.**

7.1 *Trading performance*

	<i>Financial years ended</i>		
	<i>1 November</i>	<i>31 October</i>	<i>30 October</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross sales ¹	88,982	84,950	87,247
Revenue – continuing operations	47,881	47,566	48,566
Cost of sales	(21,615)	(21,655)	(22,467)
Gross profit	26,266	25,911	26,099
Administrative expenses	(27,492)	(26,668)	(26,520)
Operating loss – continuing operations	(1,226)	(757)	(421)
Finance expense	(314)	(231)	(248)
Finance income	18	1	1
Loss on ordinary activities before taxation	(1,522)	(987)	(668)
Taxation credit	131	70	85
Loss for the period from continuing operations attributable to equity members of the parent	(1,391)	(917)	(583)
Basic and diluted loss per share	(6.78p)	(4.47p)	(2.84p)

Notes

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

7.2 *Cash flows*

	<i>Financial years ended</i>		
	<i>1 November</i>	<i>31 October</i>	<i>30 October</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating loss	(1,226)	(757)	(421)
<i>Adjustments for:</i>			
Cash disbursements of pension obligations (net of charge included within the income statement)	(1,320)	(717)	(849)
Depreciation	2,235	1,972	1,878
Profit on fixed asset disposal	–	(171)	–
Decrease/(increase) in inventories	1,789	215	(968)
Decrease/(increase) in trade and other receivables	1,278	418	(136)
Decrease/increase in trade and other payables	(4,687)	1,473	1,087
Cash (utilised in)/generated from operations	(1,931)	2,433	591

	<i>Financial years ended</i>		
	<i>1 November</i>	<i>31 October</i>	<i>30 October</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash flows from operating activities before interest and tax			
Interest paid	(1,931)	2,433	591
Interest received	(305)	(253)	(267)
Tax received	18	1	1
	63	–	–
Net cash flow (used in)/generated from operating activities	<u>(2,155)</u>	<u>2,181</u>	<u>325</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(559)	(1,115)	(1,627)
Purchase of new business	–	–	(403)
Proceeds from sale of fixed assets		332	–
Net cash used in investing activities	(559)	(783)	(2,030)
Cash flows from financing activities			
New bank loans raised	–	–	–
Increase/(repayment) of bank loans	2,750	7,100	8,600
Net proceeds from obligations under finance leases	(7,500)	(7,500)	(7,100)
	2	1	–
Net cash generated from/(used in) financing activities	<u>2,752</u>	<u>(399)</u>	<u>1,500</u>
Net increase/(decrease) in cash and cash equivalents in the period	<u>38</u>	<u>999</u>	<u>(205)</u>
Cash and cash equivalents (including overdrafts) at beginning of period	(366)	(328)	671
Cash and cash equivalents (including overdrafts) at end of period	<u>(328)</u>	<u>671</u>	<u>466</u>

Department store sales account for over 99 per cent. of the Group's income. Trade (including concessions) purchases account for approximately 65 per cent. of the Group's payments. Other major cash outflows are VAT, central support services, store operating costs, rent and staff payroll.

7.3 *Balance sheet*

	<i>Financial years ended</i>		
	<i>1 November</i>	<i>31 October</i>	<i>30 October</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current assets			
Goodwill	892	892	892
Property, plant and equipment	25,219	24,201	24,096
Financial assets	16	16	16
	<u>26,127</u>	<u>25,109</u>	<u>25,004</u>
Current assets			
Inventories	8,449	8,234	9,495
Trade and other receivables due after one year	4,684	164	152
Trade and other receivables due within one year		4,102	4,250
Cash and cash equivalents	76	671	466
	<u>13,209</u>	<u>13,171</u>	<u>14,363</u>
Total assets	<u>39,336</u>	<u>38,280</u>	<u>39,367</u>
Current liabilities			
Trade and other payables	(7,484)	(8,935)	(10,040)
Tax liabilities	(35)	(35)	(35)
Bank overdrafts and loans	(2,904)	–	–
	<u>(10,423)</u>	<u>(8,970)</u>	<u>(10,075)</u>
Net current assets	<u>2,786</u>	<u>4,201</u>	<u>4,288</u>
Non-current liabilities			
Bank loan	(5,000)	(7,100)	(8,600)
Retirement benefit obligations	(1,369)	(4,533)	(2,482)
Deferred tax	(4,135)	(2,893)	(2,639)
Obligations under finance leases	(978)	(979)	(979)
	<u>(11,482)</u>	<u>(15,505)</u>	<u>(14,700)</u>
Total liabilities	<u>(21,905)</u>	<u>(24,475)</u>	<u>(24,775)</u>
Net assets	<u>17,431</u>	<u>13,805</u>	<u>14,592</u>
Equity			
Share capital	1,026	1,026	1,026
Share premium account	440	440	440
Revaluation reserve	7,559	8,209	8,226
Capital redemption reserve	242	242	242
ESOP reserve	(27)	(27)	(27)
Retained earnings	8,191	3,915	4,685
Total equity	<u>17,431</u>	<u>13,805</u>	<u>14,592</u>

7.4 *Bank facilities*

The Group currently has banking facilities with HSBC comprising a £112,000 overdraft facility which is repayable on demand and a £9.0 million revolving loan facility which now has an expiry date of 31 October 2012. The facilities are secured principally over the Group's freehold interests and contain a number of key financial covenants, further details of which are contained in paragraph 12.1(a) of Part X. The interest payable on the revolving loan facility is 3 per cent. above the LIBOR rate and, in respect of the overdraft, 3 per cent. above the prevailing Bank of England base rate.

8. CURRENT TRADING, PROSPECTS AND OPERATIONAL TRENDS

On 27 January 2011, Beale announced its preliminary results for the financial year to 30 October 2010. Beale commented as follows:

“Results

The Group loss before taxation of £668,000 showed further progress on the previous year, when the loss was £987,000. The underlying improvement was more substantial than this, as we incurred a loss of £271,000 in the two stores acquired during the year, much of which was attributable to start-up costs.

Our two new stores were Robbs of Hexham and the former Westgate department store in Rochdale. Robbs was acquired from administrators in June and we signed a new 15 year lease, in respect of which we received significant commercial inducements. Following an extensive review of the business, we made substantial changes, refurbished the store and relaunched it in September. It is now one of our larger stores by turnover.

In September we signed a 25 year lease on the Rochdale store, with significant commercial inducements, and relaunched it under the name of Whitakers in October.

The Group’s gross sales increased by 2.7% to £87.2 million; these include concession sales and VAT, as well as the sales of the new stores. The VAT increase during the year contributed about 1.4% of the increase.

Revenue, which excludes VAT and includes only the commission element of concession sales, was 2.1% higher than in the previous year at £48.6 million. Like for like revenue, excluding the new stores, declined by 2.1%.

Like for like gross margins were comparable to those in the previous year at 54.2% (2009: 54.5%). Robbs of Hexham includes a substantial food store, which operates at lower margins than our usual department store business, with the result that the overall margin declined slightly to 53.7%.

Despite the new acquisitions administrative expenses were well controlled, and were £148,000 lower at £26.5 million.

Our net debt increased, and at the year-end was £8.1 million (2009: £6.4 million). The seasonality of our business means that our borrowings are at their highest around the year end. The increase was largely attributable to the costs of acquiring and refurbishing our new stores and supporting the higher working capital investment in the enlarged Group.

Trading update

Retail sales were seriously affected by snow throughout the country in November and early December. Gross sales for the 11 weeks ended 15 January 2011 were 4.6% higher than for the equivalent period last year.

For the 5 week period from 6 December 2010 to 15 January 2011, following the worst of the adverse weather conditions, gross sales were 16.3% higher than in the previous year. The comparison is flattered to some degree by the snow which affected parts of the country in the first half of January 2010.

Dividend

No dividend is proposed.

Shareholders and Board

In February 2010, Panther Securities plc, a listed property investment company, acquired shares which lifted the shareholding of Panther and its major shareholder Andrew Perloff, from just under

10% to 29.72%. These shares were acquired from Lawdene, previously our largest shareholder, whose interest in the Company is now 4.5%.

In April 2010 Simon Peters, finance director of Panther Securities, joined the Board as a non-executive director.

Staff

The steady improvement in the Group's performance in the difficult trading environment would not have been possible without the exceptional commitment of our staff. On behalf of the Board and shareholders I thank them for their unstinting contribution.

Banking facilities and going concern

During September 2010 we were pleased to announce that the Group's £9.0 million term loan facility, which was due to expire in February 2011, had been replaced by a new 2 year revolving loan facility, also of £9.0 million, expiring on 31 August 2012. We also have a modest overdraft facility.

We have continued to trade comfortably within our facilities throughout the past year, and have met all our banking covenants. Our forecasts show 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.

Outlook

The increase in VAT on 4 January 2011, and the effect of the Government's tighter fiscal policy, continues to make the retail sector challenging.

Despite this, we believe that our trading strategy will generate further improvements in the Group's underlying performance. We shall also continue to seek new opportunities to increase the size of the Group with the acquisition of additional stores, which could be managed without a material increase in the size of our head office."

At the Annual General Meeting of the Company held on 17 March 2011, the Chairman stated:

"Gross sales for the 19 weeks to 12 March 2011, including concessions and the two new stores acquired in 2010, were 5.9% higher than for the previous year, like-for-like sales declined by 6.2%. For the first quarter, to 29 January 2011, gross sales were up 4.9% on the previous year.

As noted in the Annual Report, trading in the current year has been significantly adversely affected by the worst pre Christmas snowfalls for 30 years. However since the weather improved we have made progress in recapturing the lost sales; gross sales during the latest six-week period since 29 January, including concessions and new stores, were 9.4% up on the previous year and like-for-like sales were 4.7% lower.

The Board is pleased that first quarter sales were achieved at an improved gross margin compared with the previous year, despite the promotional discounting required to be competitive over Christmas.

Furthermore, like for like expenses were lower than the previous year as we continued to focus on cost reduction, albeit total expenses increased as a result of the acquisition of the two new stores.

The increase of VAT on 4 January 2011 and the effect of the Government's tighter fiscal policy mean that the remainder of the year will be challenging, but the Board believes the strategies and actions being taken will in due course improve the Group's financial performance".

9. READMISSION

Applications will be made to the UKLA and to the London Stock Exchange for the Ordinary Shares to be readmitted to listing on the Official List and to trading on the main market of the London Stock Exchange. It is expected that, subject to the conditions of the Acquisition Agreement and the Introduction Agreement being satisfied or, where permitted, waived and subject also to the timing of the satisfaction or, where

permitted, waiver of such conditions, Readmission will become effective and that dealings in Ordinary Shares will recommence on the London Stock Exchange at 8.00 a.m. on the Effective Date.

10. CREST

The Existing Articles already (and the New Articles will) permit the holding of Ordinary Shares under the CREST system. The Company will apply for the Ordinary Shares to be readmitted to CREST on the date of Readmission. Accordingly, settlement of transactions in Ordinary Shares following Readmission may continue to take place within the CREST system if any Shareholder so wishes.

PART III

INFORMATION ON ARCS

1. INTRODUCTION

ARCS was founded in 1921 and has its roots in Peterborough. Since then it has grown to become (by turnover) the sixth largest retail consumer co-operative in the country. It has a diverse range of operations including department stores, furniture, food, travel and funerals. It has a total turnover in excess of £300 million and provides employment for over 3,000 employees.

The flagship department store is based in Peterborough. The remaining stores are based nationally but with a particular concentration in the East of England region. Following Completion, ARCS will continue to operate department stores only in the towns of Blyth, Hartlepool, March and Scunthorpe.

2. HISTORY AND DEVELOPMENT

ARCS has historically operated department stores as part of the co-operative offering to its members and local communities.

The department store business approximately doubled its size in terms of trading space and turnover through two major acquisitions in 2005 and 2006 taking the number of stores at that time from 14 to 26. Since then one new department store was opened in Saffron Walden in 2010.

ARCS has previously exited a number of stores not deemed core or in its long term strategy. In total, five stores have closed over the last three years. A further four Target Stores are on short term leases which expire within 5 years.

In February 2011, ARCS transferred its buying function for the department stores to JEB and will pending Completion continue to operate under the outsourcing agreement described in paragraph 12.1(g) of Part X of this document.

3. THE BUSINESS

3.1 Overview

Department stores are established retail formats in the UK. ARCS seeks to appeal to a wide range of customers within the catchment areas that it serves. Management believe that ARCS' core customers have an age profile of over 40 years.

As with the Beale Group, merchandise is both sourced directly by ARCS and provided by suppliers operating in-store concessions. Gross margins, sales volumes and contributions per square foot vary significantly from department to department, and from store to store.

The sales mix of the Target Stores by category is as follows:

- fashion
- home and gift ware
- electrical
- furniture
- a range of ancillary services such as restaurants, opticians and hairdressing.

The particular mix of categories varies from store to store depending on store size and the nature of the competition in each catchment area. The precise range and size of each department is targeted to the individual needs of each locality. The principal merchandise categories across all the Target Stores are:

Womenswear

The range comprises a wide variety of branded merchandise such as Esprit, Noa Noa, Mexx and Animal.

Menswear

This range comprises a wide variety of branded merchandise such as Esprit, Weird Fish and Animal.

Fashion accessories

The ARCS fashion accessory range includes men's and women's shoes, lingerie, hosiery, gloves, scarves, handbags, luggage and fashion jewellery. ARCS or its concession partners sell a variety of brands including Antler, Radley and Carlton.

Homewares

The homewares range includes linens, cookware, china, glass and cutlery. ARCS or its concession partners sell a variety of brands in these categories including Viners, Salter, Prestige and Anthony Worrall Thompson.

Furniture and carpets

Furniture including dining, upholstery and bedroom, beds and carpets are sold in six of the Target Stores.

Cosmetics

ARCS or its concession partners sell a number of cosmetic and fragrance brands including Clarins, Estee Lauder and Clinique.

Electrical

A range of electrical goods are sold. These are branded goods and are presently sourced through an agreement with E-Store, a division of The Co-operative Group.

Miscellaneous

In addition to the above categories, in selected Target Stores, ARCS or its concession partners operate other departments including optical, travel and restaurant services.

3.2 ***Divisional financial information***

Details of the Target Stores appear below:

<i>Location</i>	<i>Approximate selling space excluding ARCS' concessions Sq ft</i>	<i>Approximate selling space¹ Sq ft</i>	<i>Approximate gross sales (excluding VAT) by store for the year ended 4 September 2010 £'m</i>
Abingdon	18,000	18,000	5.7
Beccles	17,000	17,000	1.7
Bishop Auckland	17,000	27,000	2.1
Chipping Norton	10,000	10,000	1.3
Cinderford	10,000	10,000	1.1
Diss	6,000	6,000	0.8
Harrogate	28,000	34,000	4.3
Keighley	28,000	47,000	5.0
Kings Lynn	19,000	19,000	2.5
Lowestoft	21,000	21,000	2.3
Mansfield	67,000	94,000	5.7
Peterborough	57,000	83,000	7.7

<i>Location</i>	<i>Approximate selling space excluding ARCS' concessions Sq ft</i>	<i>Approximate selling space¹ Sq ft</i>	<i>Approximate gross sales (excluding VAT) by store for the year ended 4 September 2010 £'m</i>
Redcar	25,000	25,000	2.2
Saffron Walden ²	10,000	10,000	0.3
St Neots	24,000	24,000	3.9
Skegness	26,000	38,000	2.6
Skipton	22,000	27,000	2.5
Spalding	19,000	19,000	1.8
Wisbech	26,000	26,000	2.1
Total	450,000	555,000	55.6

Note:

1. Includes ARCS concession space of approximately 105,000 sq ft.
2. The Saffron Walden department store opened on 8 June 2010, therefore the sales figure above represents 13 weeks of trade.

The approximate gross sales figures detailed above are equivalent to the "Gross sales (excluding VAT)" detailed in the historical financial information provided in Part VII of this document and therefore represent the gross value of concession sales.

4. KEY MARKETS AND COMPETITIVE POSITION

Turnover from ARCS' department store business derives exclusively from UK locations. The mix of ARCS' turnover between concession and own bought merchandise varies greatly by store. As an average across the Target Stores, the mix is approximately 67 per cent. from own bought and the remainder from concessions.

Beale is a similar operator but not a competitor of ARCS as there is no overlap in locations. Competitors are other department store and high street retailers selling similar products that operate within close proximity of the ARCS' stores and internet retailers.

5. STRATEGY

ARCS' department store strategy has been to provide local communities and members with a broad range of consumer products at affordable prices and enhanced customer service and after care. The Target Stores focus in particular on fashion and home products.

Following a management change three years ago, ARCS' growth strategy is now focused on its core food, furniture, travel and funerals businesses, whilst seeking to consolidate its department stores into a more profitable and manageable portfolio.

ARCS has introduced a number of strategic initiatives to increase the profitability of its department store business and previously developed a strategy to increase the density of stores in a smaller trading region in the east of England. This led to discussions with Beale about specific opportunities to transfer to it stores outside the core region such as Rochdale, which subsequently developed into discussions about the other stores.

6. EMPLOYEES

ARCS' average monthly number of employees engaged in the Business for the last three years was as follows:

The average number of persons (including directors) employed by ARCS in the Target Stores during the year	<i>Financial years ended</i>		
	<i>6 September 2008</i>	<i>5 September 2009</i>	<i>4 September 2010</i>
Full time	302	268	265
Part time	551	548	595
	<u>853</u>	<u>816</u>	<u>860</u>

7. SUMMARY OF FINANCIAL INFORMATION

The tables below set out selected audited financial information for the Business for the three financial years ended 6 September 2008, 5 September 2009 and 4 September 2010 and for the period from 5 September 2010 to 22 January 2011. The period to January 2010 is unaudited. The information has been extracted without material adjustment from the historical financial information on the Business, set out in full in Part VII of this document. **In order to make a proper assessment of the financial performance of the Business, prospective investors and Shareholders should read this document as a whole and not rely solely on the key or summarised information in this section.**

7.1 Trading performance

	<i>Financial years ended September</i>			<i>20 weeks ended January</i>	
	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2010</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross sales	66,583	60,468	61,062	26,537	26,367
Revenue	<u>39,408</u>	<u>36,294</u>	<u>37,748</u>	<u>16,823</u>	<u>16,566</u>
Cost of sales	(21,958)	(20,303)	(22,125)	(9,900)	(9,829)
Gross profit	<u>17,450</u>	<u>15,991</u>	<u>15,623</u>	<u>6,923</u>	<u>6,737</u>
Administrative expenses	(21,201)	(19,989)	(20,522)	(8,101)	(8,980)
Loss on ordinary activities before taxation	<u>(3,751)</u>	<u>(3,998)</u>	<u>(4,899)</u>	<u>(1,178)</u>	<u>(2,243)</u>
Taxation credit	1,050	1,119	1,372	330	628
Loss for the period	<u>(2,701)</u>	<u>(2,879)</u>	<u>(3,527)</u>	<u>(848)</u>	<u>(1,615)</u>

Notes

1. Gross sales reflect revenue from concession sales and VAT from continuing operations.
2. There were no items of other comprehensive income for any of the periods above.

7.2 Cash flows

	<i>Financial years ended September</i>			<i>20 weeks ended January</i>	
	2008	2009	2010	2010	2011
	£'000	£'000	£'000	£'000	£'000
Operating loss	(3,751)	(3,998)	(4,899)	–	(2,243)
<i>Adjustments for:</i>					
Depreciation and amortisation	680	744	918	–	381
Impairment/reversal of impairment	467	448	(644)	–	4
(Increase)/decrease in trade and other receivables	810	(2)	(260)	–	(295)
(Increase)/ decrease in inventories	38	2,027	(831)	–	(858)
Increase/(decrease) in trade and other payables	3,813	1,332	(1,301)	–	387
Movement in provisions	699	65	(270)	–	81
Cash generated from/(utilised in) operations	2,756	616	(7,287)	–	(2,543)
Cash flows from investing activities					
Purchase of property, plant and equipment	(1,854)	(1,639)	(817)	–	(165)
Cash flows from financing activities					
Movement in group investment	(969)	953	8,125	–	2,720
Net cash generated from financing activities	(969)	953	8,125	–	2,720
Net (decrease)/increase in cash and cash equivalents in the period	(67)	(70)	21	–	12
Cash and cash equivalents at beginning of period	321	254	184	–	205
Cash and cash equivalents (including overdrafts) at end of period	254	184	205	–	217

Sources of income for ARCS' department store business are store sales (including VAT), rental income for space occupied in stores, car park income and other sundry receipts.

Concessions are predominantly cashed up by ARCS (only approximately 15 per cent. are directly banked by concessionaires) with net settlement being made to each concessionaire 11 days after the end of the trading week.

There were approximately £1.2 million of credit sales made in the 2009/10 financial year which entirely related to electrical products sold within stores. These credit agreements are held by a third party with ARCS paying an agreement fee of 5.96 per cent. Funds relating to these credit agreements are on average settled three weeks after delivery of the goods.

Cashflow payments consist of the following: purchases, selling costs, operating costs (stores), rates and services (stores), credit card commission, advertising and promotions, financial services, rent paid, property expenses, VAT to HMRC and capital expenditure.

7.3 *Statement of Financial Position*

	<i>Financial years ended September</i>			<i>20 weeks ended January</i>	
	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2010</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current assets					
Property, plant and equipment	2,593	3,040	3,583	–	3,363
Current assets					
Inventories	8,182	6,155	6,986	–	7,844
Trade and other receivables	539	541	801	–	1,096
Cash and cash equivalents	254	184	205	–	217
	<u>8,975</u>	<u>6,880</u>	<u>7,992</u>	<u>–</u>	<u>9,157</u>
Total assets	<u>11,568</u>	<u>9,920</u>	<u>11,575</u>	<u>–</u>	<u>12,520</u>
Current liabilities					
Trade and other payables	(5,134)	(6,465)	(5,165)	–	(5,552)
	<u>(5,134)</u>	<u>(6,465)</u>	<u>(5,165)</u>	<u>–</u>	<u>(5,552)</u>
Net current assets	6,434	3,455	6,410	–	6,968
Non-current liabilities					
Provisions for liabilities and charges	(699)	(764)	(494)	–	(575)
Total liabilities	<u>(5,833)</u>	<u>(7,229)</u>	<u>(5,659)</u>	<u>–</u>	<u>(6,127)</u>
Net assets	<u>5,735</u>	<u>2,691</u>	<u>5,916</u>	<u>–</u>	<u>6,393</u>

8. **CURRENT TRADING, PROSPECTS AND OPERATIONAL TRENDS**

The trading performance of the Target Stores, as reported in the historical financial information on the Business for the year ended 4 September 2010, was adversely affected by a number of factors. Retail sales were affected by the general poor condition of the UK economy and adverse weather which affected store trading times and customers' ability to get to the stores.

Turnover performance in the 24 weeks ended 19 March 2011 in ARCS' department store business has been approximately 3 per cent. below the prior year. Gross margins for the period are approximately 30.6 per cent. compared to approximately 30.8 per cent. achieved last year. Administrative expenses continued to be well managed with expenses increasing by approximately 2.0 per cent. in the 24 weeks ended 19 March 2011.

PART IV

OPERATING AND FINANCIAL REVIEW ON THE BEALE GROUP

The following review should be read in conjunction with Beale's audited consolidated financial statements, and the related notes to the financial statements, for each of the financial years ended 1 November 2008, 31 October 2009 and 30 October 2010 which are incorporated by reference in Part XI of this document and from which the information contained within this Part IV has been sourced. Shareholders and prospective investors should read the whole of this document and the documents incorporated herein by reference and should not just rely on the financial information set out in this Part IV. See also "Presentation of Financial Information" and "International Financial Reporting Standards" set out in the section of this document entitled "Important Notices".

The information in this section contains certain forward looking statements that involve risks and uncertainties. Beale's actual results may differ materially from those anticipated in these forward looking statements as a result of factors including, but not limited to, those set out in the section of this document entitled "Risk Factors" and in "Disclosure regarding Forward Looking Statements", set out in the section of this document entitled "Important Notices".

1. OVERVIEW

Beale is the holding company of a UK retail department store group. The business operated by the Group was founded in 1881, and the Group currently operates a portfolio of 13 stores across the UK, from Hexham in the north to Bournemouth in the south. The majority of the stores trade under the Beales brand, with the exception of four stores which have retained their original local brand, Broadbents & Boothroyds (Southport), Denners (Yeovil), Robbs (Hexham) and Whitakers (Bolton), the name under which the former Westgate store in Rochdale also now trades.

Beale offers branded, functional and aspirational merchandise for men, women and the home, tailored to the individual requirements of the Group's customers in each locality. The Board's aim is to grow the Group both organically through the ongoing development of its existing portfolio and by acquisition of similar department stores.

2. FACTORS AFFECTING RESULTS OF OPERATIONS

2.1 *Market and operating conditions*

Adverse weather

As reported on 27 January 2011 in the Group's preliminary results to 30 October 2010, retail sales were seriously affected by snow throughout the country in November and early December 2010. Further ongoing periods of adverse weather in any of the locations from which the Group trades would be likely to have a material impact on trading.

Economic outlook

The Group's operations are focused solely on the UK retail sector. A double-dip recession or economic stagnation could lead to certain further concessions operating within the Group's stores entering into administration or other insolvency process. The resultant drop in revenue contribution would negatively impact on the Group's trading performance.

Consumer budgets may be negatively impacted through a combination of factors such as further tax rises (for example, in VAT), inflation or economic uncertainty resulting in pay restraint which could either squeeze consumers' budgets or dampen consumer demand and negatively affect the Group's trading prospects.

2.2 *National economic backdrop*

Beale operates in the UK retail market which is indirectly affected by any government fiscal and monetary policy which impacts positively or negatively on consumer spending.

2.3 *Seasonality*

The Beale Group's revenues are influenced by the seasonality of its business. This is demonstrated by the fact that like-for-like gross sales (excluding VAT), stripping out the acquisitions of Hexham (acquired 4 June 2010) and Rochdale (acquired 5 September 2010), for November and December 2009 accounted for approximately 26 per cent. of Group sales in the financial year ended 30 October 2010.

3. CONSOLIDATED RESULTS OF OPERATIONS

The following financial information has been extracted without material adjustment from the audited consolidated financial statements of the Group for the financial years ended 1 November 2008, 31 October 2009 and 30 October 2010 as incorporated by reference in Part XI of this document.

3.1 *Revenue*

The table below sets out the locations of the Group's operations, the relative size of its stores and revenues derived from the stores in question.

<i>Location</i>	<i>Approximate selling space Sq ft</i>	<i>Approximate gross sales (excluding VAT) by store for the year ended 30 October 2010² £'m</i>
Beales stores		
Bedford	25,000	4.2
Bournemouth	79,000	14.4
Horsham	33,000	4.0
Kendal	24,000	4.8
Poole	44,000	8.7
Tonbridge	37,000	4.9
Winchester	19,000	2.5
Worthing	56,000	7.9
Whitakers stores		
Bolton	55,000	5.1
Rochdale ¹	30,000	0.3
Broadbents & Boothroyds store		
Southport	34,000	7.3
Denners store		
Yeovil	54,000	7.7
Robbs store		
Hexham ¹	65,000	2.5
Total	555,000	74.3

Note:

1. Hexham was acquired on 4 June 2010 and Rochdale was acquired on 5 September 2010.
2. Excludes interest on customer credit accounts.

Gross sales (excluding VAT) and revenue

The table below sets out selected data from the Group's published financial information for the periods indicated. The data has been extracted without material adjustment from the audited consolidated financial statements of the Group as incorporated by reference in Part XI of this document.

	<i>Financial years ended</i>		
	<i>1 November</i>	<i>31 October</i>	<i>30 October</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross sales	88,982	84,950	87,247
VAT	(13,091)	(11,215)	(12,551)
Gross sales (exc. VAT)	75,891	73,735	74,696
Agency sales less commission	(28,010)	(26,169)	(26,130)
Revenue	47,881	47,566	48,566

Analysis of gross sales (excluding VAT) and revenue:

	<i>52 weeks to</i>		<i>52 weeks to</i>		<i>52 weeks to</i>	
	<i>1 November 2008</i>		<i>31 October 2009</i>		<i>30 October 2010</i>	
	<i>Gross</i>	<i>Revenue</i>	<i>Gross</i>	<i>Revenue</i>	<i>Gross</i>	<i>Revenue</i>
	<i>sales</i>	<i>£'000</i>	<i>sales</i>	<i>£'000</i>	<i>sales</i>	<i>£'000</i>
Own bought sales	39,115	39,115	39,312	39,312	39,911	39,911
Concession sales	36,338	8,328	34,025	7,856	34,394	8,264
Interest on customer accounts	438	438	398	398	391	391
	75,891	47,881	73,735	47,566	74,696	48,566

In the year ended 30 October 2010, the Group acquired stores in Hexham (on 4 June 2010) and in Rochdale (on 5 September 2010). For the year ended 30 October 2010 revenue, which excludes VAT and includes only the commission element of concession sales, was 2.1 per cent. higher than in the previous year at £48.6 million. Like for like revenue, excluding the new stores, declined by 2.1 per cent.

4. LIQUIDITY AND CAPITAL RESOURCES

Beale maintains cash to fund the daily cash requirements of its business. Going forward, Beale expects that its operations will be funded through a combination of cash and borrowing facilities available to the Group. As at 2 April 2011, the Group held £350,000 of unrestricted cash.

The Group currently has banking facilities with HSBC comprising a £112,000 overdraft facility which is repayable on demand and a £9.0 million revolving loan facility which now has an expiry date of 31 October 2012. The facilities are secured principally over the Group's freehold interests and contain a number of key financial covenants, further details of which are contained in paragraph 12.1(a) of Part X. The interest payable on the revolving loan facility is 3 per cent. above the LIBOR rate and, in respect of the overdraft, 3 per cent. above the prevailing Bank of England base rate. As at 2 April 2011, £7.70 million was drawn against existing facilities.

The Group typically has cash demands which peak at the end of October each year when Christmas stock is received. Working capital falls significantly in early January each year. In the year ended 31 October 2010, working capital fell by approximately £3.5 million from the peak achieved following Christmas trading, to a low point in early January 2011.

As described in paragraph 6 of Part I, the Group will have additional resources of £13.3 million to finance the Proposed Acquisition and fulfil the further ongoing working capital requirements of the Enlarged Group.

Other than in respect of the financing provided by ARCS, the trading seasonality of the Enlarged Group is not anticipated to be significantly affected by the Proposed Acquisition.

4.1 *Cash flow*

Sources of income for the Group are store sales (including VAT), store card interest and rental income and other sundry receipts. Cashflow payments consist of the following: purchases, selling costs, operating costs (stores), rates and services (stores), credit card commission, advertising and promotions, financial services, rent paid, property expenses, head office costs, VAT to HMRC and capital expenditure. The following table shows information regarding Beale's cash flows for the periods indicated as extracted, without material adjustment, from its audited consolidated financial statements.

	<i>1 November</i>	<i>31 October</i>	<i>30 October</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash (used in)/generated from operations	(2,218)	2,181	325
Income taxes received	63	—	—
Cash flows from investing activities	(559)	(783)	(2,030)
Cash flows from financing activities	2,752	(399)	1,500
Increase/(decrease) in cash	<u>38</u>	<u>999</u>	<u>(205)</u>

4.2 *Contractual obligations and commercial commitments*

The Company's revolving loan agreement with HSBC requires that its approval be sought in relation to acquisitions or disposals of freehold or leasehold properties. To date, the obligations imposed upon the Company in this loan agreement have not restricted the manner in which the Group operates, and HSBC's consent to the making by the Group of the Proposed Acquisition has been sought and obtained. The Company's significant leasing arrangements referred to below relate to the leasing of department stores. None of the leases gives 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.

The table below sets out all future commitments under the non-cancellable operating leases of the Group as at 1 November 2008, 31 October 2009 and 30 October 2010:

	<i>1 November</i>	<i>31 October</i>	<i>30 October</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Land and buildings	60,902	58,913	68,058
Other	434	301	185
Total	<u>61,336</u>	<u>59,214</u>	<u>68,243</u>

5. CAPITALISATION AND INDEBTEDNESS

On 3 July 2009, the Company entered into a guarantee in favour of BES Trustees Plc and the individual trustees of the Beale pension scheme in respect of the present and future obligations and liabilities of JEB to make payments to such scheme up to a maximum of £6 million in the event of any default by JEB. In August 2010, the Company entered into a guarantee for £516,000 in favour of HSBC sufficient to allow it to provide a guarantee in an equivalent amount to HSBC Merchant Services LLP in relation to the provision by it of credit card processing services to the Group.

The following table shows the indebtedness of Beale as at 2 April 2011, based on its unaudited management accounts as at that date, and its capitalisation at 30 October 2010, extracted from the audited consolidated financial statements of Beale incorporated by reference in Part XI of this document:

	£'000
Total current debt as at 2 April 2011	–
Total non-current debt as at 2 April 2011	(8,679)
Total debt as at 2 April 2011	(8,679)

Total net borrowings as at 2 April 2011 were £8,329,000

Capitalisation as at 30 October 2010

Ordinary share capital	1,026
Share premium account	440
Revaluation reserve	8,226
Capital redemption reserve	242
ESOP reserve	(27)
Retained earnings	4,685
	14,592

There has been no material change to the capitalisation of Beale between 30 October 2010 and the date of this document.

The following table shows the net financial indebtedness of Beale as at 2 April 2011, based on its unaudited management accounts as at that date:

	£'000
Net financial indebtedness as at 2 April 2011	
Cash	350
Restricted cash	–
	350
Liquidity	
Current bank debt	–
Other current financial debt	–
Current financial debt	–
Net current financial indebtedness	–
Non-current bank debt	(7,700)
Other non-current financial debt (Finance lease)	(979)
Non-current financial indebtedness	(8,679)
Net financial indebtedness	(8,329)

6. KEY PERFORMANCE MEASURES

Beale uses a number of key performance measures in its business, including statutory measures such as revenue, gross profit and operating profit. The most significant non-statutory measures used are gross sales, margin, markdown, discount analysis, stock turn, stock loss, debtor days, wage to sales and contribution analysis.

7. CURRENT TRADING AND PROSPECTS

Retail sales were seriously affected by snow throughout the country in November and early December 2010. Gross sales for the 11 weeks ended 15 January 2011 were 4.6 per cent. higher than for the equivalent period last year.

For the five week period from 12 December 2010 to 15 January 2011, following the worst of the adverse weather conditions, gross sales were 16.3 per cent. higher than in the previous year. The comparison is flattered to some degree by the snow which affected parts of the country in the first half of January 2010.

The economic outlook has changed significantly following the General Election in May 2010. It still remains difficult to forecast the public's reaction to ongoing spending cuts and the increase in VAT. The Board will continue to monitor customers' reactions to these changes and adjust the Group's trading strategy accordingly but in the Directors' view, customers will continue to be cautious throughout the year. The Company's increased focus on purchasing from the Far East has assisted to date in achieving increases in input margins; however, the euro/sterling exchange rate continues to be disadvantageous to Beale and the Board does not expect this to improve in the near term. Beale's pricing and buying strategies are designed to ensure that the Company's margins are protected from currency fluctuations. Beale's balance sheet remains strong and the Board's strategies are focused on improving the Group's businesses. The Company continues to enjoy a good relationship with its bank, HSBC. The Board will work hard to continue the improvement in results achieved in 2009/2010 with the ultimate objective of returning the Company to profitability.

8. OTHER RISKS

For a discussion of the principal risk factors faced by the Group and, following Completion, by the Enlarged Group, please refer to the "Risk Factors" section of this document.

PART V

OPERATING AND FINANCIAL REVIEW ON THE BUSINESS

The following review should be read in conjunction with the historical financial information on the Business for each of the 52 week periods ended 6 September 2008, 5 September 2009 and 4 September 2010 and the unaudited interim financial information for the periods to 4 January 2010 and 4 January 2011 which are set out in Part VII of this document and from which the information contained within this Part V has been sourced. Shareholders and prospective investors should read the whole of this document and the documents incorporated herein by reference and should not just rely on the financial information set out in this Part V. See also “Presentation of Financial Information” and “International Financial Reporting Standards” set out in the section of this document entitled “Important Notices”.

The information in this section contains certain forward looking statements that involve risks and uncertainties. The actual results of the Business may differ materially from those anticipated in these forward looking statements as a result of factors including, but not limited to, those set out in the section of this document entitled “Risk Factors” and in “Disclosure regarding Forward Looking Statements”, set out in the section of this document entitled “Important Notices”.

1. OVERVIEW

ARCS was founded in 1921 and has its roots in Peterborough. Since then it has grown to become (by turnover) the sixth largest retail consumer co-operative in the country. It has a diverse range of operations including department stores, furniture, food, travel and funerals. It has a total turnover in excess of £300 million and provides employment for over 3,000 employees.

The flagship department store is based in Peterborough. The remaining stores are based nationally but with a particular concentration in the East of England region. Following Completion, ARCS will continue to operate department stores only in the towns of Blyth, Hartlepool, March and Scunthorpe.

2. FACTORS AFFECTING RESULTS OF OPERATIONS

2.1 *Market and operating conditions*

The trading performance of the Target Stores can be adversely affected by a number of factors. As reported in the historical financial information on the Business for the year ended 4 September 2010, retail sales were affected by the general poor condition of the UK economy and adverse weather which affected store trading times and customers’ ability to get to the stores.

Adverse weather

As reported in the historical financial information on the Business for the year ended 4 September 2010, retail sales were affected by snow throughout the country in November and early December 2010. Further ongoing periods of adverse weather in the locations from which the Business trades would be likely to have a material impact on trading.

Economic outlook

The department store operations of the Business are focused solely on the UK retail sector. A double-dip recession or economic stagnation could lead to certain concessions operating within the Target Stores entering into administration. The resultant drop in revenue contribution would impact on the trading performance of the Business.

Consumer budgets may be negatively impacted through a combination of factors such as further tax rises (for example, in VAT), inflation or economic uncertainty resulting in pay restraint which could either squeeze consumers’ budgets or dampen consumer demand and negatively affect trading prospects.

2.2 *National economic backdrop*

The Target Stores operate in the UK retail market which can be indirectly affected by government fiscal and monetary policy that in turn can impact positively or negatively on consumer spending.

2.3 *Seasonality*

The operations of the Target Stores are influenced by the seasonality of their customer base. Typically around 16 per cent. of turnover across all of ARCS' department stores is accounted for in the months of November and December.

3. RESULTS OF OPERATIONS

Details of the Target Stores appear below:

<i>Location</i>	<i>Approximate selling space excluding ARCS' concessions Sq ft</i>	<i>Approximate selling space¹ Sq ft</i>	<i>Approximate gross sales (excluding VAT) by store for the year ended 4 September 2010² £'m</i>
Abingdon	18,000	18,000	5.7
Beccles	17,000	17,000	1.7
Bishop Auckland	17,000	27,000	2.1
Chipping Norton	10,000	10,000	1.3
Cinderford	10,000	10,000	1.1
Diss	6,000	6,000	0.8
Harrogate	28,000	34,000	4.3
Keighley	28,000	47,000	5.0
Kings Lynn	19,000	19,000	2.5
Lowestoft	21,000	21,000	2.3
Mansfield	67,000	94,000	5.7
Peterborough	57,000	83,000	7.7
Redcar	25,000	25,000	2.2
Saffron Walden ²	10,000	10,000	0.3
St Neots	24,000	24,000	3.9
Skegness	26,000	38,000	2.6
Skipton	22,000	27,000	2.5
Spalding	19,000	19,000	1.8
Wisbech	26,000	26,000	2.1
Total	450,000	555,000	55.6

Note:

1. Includes ARCS concession space of approximately 105,000 sq ft.
2. The Saffron Walden department store opened on 8 June 2010 therefore the sales figure above represents 13 weeks of trade.

The table below sets out selected data for the Business extracted without material adjustment for the three financial years ended 6 September 2008, 5 September 2009 and 4 September 2010 and for the period from 5 September 2010 to 22 January 2011. The period to January 2010 is unaudited.

	<i>Financial years ended September</i>			<i>20 weeks ended January</i>	
	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2010</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross sales	66,583	60,468	61,062	26,537	26,367
VAT	(5,963)	(4,950)	(5,462)	(2,325)	(2,667)
Gross sales (exc. VAT)	60,620	55,518	55,600	24,212	23,700
Agency sales less commission	(21,018)	(19,081)	(17,600)	(7,336)	(6,940)
Effect of customer loyalty programmes	(194)	(143)	(252)	(53)	(194)
Revenue	39,408	36,294	37,748	16,823	16,566

4. LIQUIDITY AND CAPITAL RESOURCES

The liquidity available to the Enlarged Group is described in paragraph 4 of Part IV of this document.

4.1 *Cash flow*

The following table shows information regarding the cash flows of the Business for the periods indicated as extracted without material adjustment from the historical financial information on the Business.

	<i>Financial years ended September</i>			<i>20 weeks ended January</i>	
	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2010</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash flow generated/(utilised in) operations	2,756	616	(7,287)	–	(2,543)
Cash flows from investing activities	(1,854)	(1,639)	(817)	–	(165)
Cash flows from financing activities	(969)	953	8,125	–	2,720
Net (decrease)/increase in cash and cash equivalents in the period	(67)	(70)	21	–	12

4.2 *Contractual obligations and commercial commitments*

The contractual obligations and commitments of the Business relate mainly to property leases and other small operating leases.

The table below sets out all future commitments under the non-cancellable operating leases of the Business as at 6 September 2008, 5 September 2009 and 4 September 2010. These commitments will, where not expressly assumed by JEB under the Acquisition Agreement, be funded from ARCS' cash resources.

	<i>Financial years ended September</i>			<i>20 weeks ended January</i>	
	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2010</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Land and buildings	11,621	10,694	13,760	–	13,142
Other	203	153	192	–	161
Total	11,824	10,847	13,952	–	13,303

5. KEY PERFORMANCE MEASURES

ARCS uses a number of key performance measures in the Business, including statutory measures such as revenue, gross profit and operating profit. The most significant non-statutory measures used are gross sales, margin, markdown, discount analysis, stock days, stock loss, wage to sales and contribution analysis.

6. CURRENT TRADING AND PROSPECTS

The trading performance of the Target Stores, as reported in the historical financial information on the Business for the year ended 4 September 2010, was adversely affected by a number of factors. Retail sales were affected by the general poor condition of the UK economy and adverse weather which affected store trading times and customer's ability to get to the stores.

Turnover performance in the 24 weeks ended 19 March 2011 in ARCS' department store business has been approximately 3 per cent. below the prior year. Gross margins for the period are approximately 30.6 per cent. compared to approximately 30.8 per cent. achieved last year. Administrative expenses continued to be well managed with expenses increasing by approximately 2.0 per cent. in the 24 weeks ended 19 March 2011.

7. OTHER RISKS

For a discussion of the principal risk factors faced by the Enlarged Group, please refer to the "Risk Factors" section of this document.

PART VI

HISTORICAL FINANCIAL INFORMATION ON THE GROUP

The consolidated financial statements of the Group included in the Annual Report and Financial Statements of the Company for each of the financial years ended 1 November 2008, 31 October 2009 and 30 October 2010 together with the audit reports thereon are incorporated by reference into and form part of this document.

Deloitte LLP of 1 Grosvenor Square, Southampton, a member of the Institute of Chartered Accountants in England and Wales, has issued unqualified audit opinions on the consolidated financial statements of the Company and its subsidiaries included in the Annual Report and Financial Statements of the Company for each of the financial years ended 1 November 2008, 31 October 2009 and 30 October 2010.

The Independent Auditors' Report for the financial year ended 1 November 2008 is set out on pages 20-21 of the Annual Report and Financial Statements 2008. The Independent Auditors' Report for the financial year ended 31 October 2009 is set out on pages 17-18 of the Annual Report and Financial Statements 2009. The Independent Auditors' Report for the financial year ended 30 October 2010 is set out on pages 16-17 of the Annual Report and Financial Statements 2010.

PART VII

HISTORICAL FINANCIAL INFORMATION ON THE BUSINESS

STATEMENT OF COMPREHENSIVE INCOME

For the years ended 6 September 2008, 5 September 2009 and 4 September 2010 and the five four week periods ended 23 January 2010 and 22 January 2011

	Note	22 January 2011 £000	(unaudited) 23 January 2010 £000	4 September 2010 £000	5 September 2009 £000	6 September 2008 £000
Gross sales	4	26,367	26,537	61,062	60,468	66,583
Revenue	4	16,566	16,823	37,748	36,294	39,408
Cost of sales		(9,829)	(9,900)	(22,125)	(20,303)	(21,958)
Gross profit		6,737	6,923	15,623	15,991	17,450
Administrative expenses		(8,980)	(8,101)	(20,522)	(19,989)	(21,201)
Operating loss and loss before tax		(2,243)	(1,178)	(4,899)	(3,998)	(3,751)
Tax	6	628	330	1,372	1,119	1,050
Loss for the period/year		(1,615)	(848)	(3,527)	(2,879)	(2,701)

All transactions arise from continuing operations.

Gross sales represent the total of all sales made at stores including concessions sales and VAT. A reconciliation is given in note 4 between gross sales and revenue.

There were no items of other comprehensive income for any of the periods above.

The financial information shown above may not be representative of future results; for example, the historical cost and funding structure does not reflect equivalent future structures, which may be significantly different from those that resulted from the Business being wholly owned by ARCS.

STATEMENT OF FINANCIAL POSITION

As at 6 September 2008, 5 September 2009, 4 September 2010 and 22 January 2011

	<i>Note</i>	<i>22 January 2011 £000</i>	<i>4 September 2010 £000</i>	<i>5 September 2009 £000</i>	<i>6 September 2008 £000</i>
Non-current assets					
Property, plant and equipment	9	3,363	3,583	3,040	2,593
Current assets					
Inventory	10	7,844	6,986	6,155	8,182
Trade and other receivables	11	1,096	801	541	539
Cash and cash equivalents		217	205	184	254
		9,157	7,992	6,880	8,975
Total assets		12,520	11,575	9,920	11,568
Current liabilities					
Trade and other payables	12	(5,552)	(5,165)	(6,465)	(5,134)
Net current assets		6,968	6,410	3,455	6,434
Non current liabilities					
Provisions for liabilities and charges	13	(575)	(494)	(764)	(699)
Total liabilities		(6,127)	(5,659)	(7,229)	(5,833)
Total net assets		6,393	5,916	2,691	5,735
INVESTED CAPITAL					
Group investment		6,393	5,916	2,691	5,735
Total group investment		6,393	5,916	2,691	5,735

STATEMENT OF CASH FLOWS

For the years ended 6 September 2008, 5 September 2009 and 4 September 2010 and the five four week periods ended 22 January 2011

	<i>22 January 2011 £000</i>	<i>4 September 2010 £000</i>	<i>5 September 2009 £000</i>	<i>6 September 2008 £000</i>
Operating activities				
Loss on ordinary activities before tax	(2,243)	(4,899)	(3,998)	(3,751)
Adjustments:				
Depreciation and amortisation	381	918	744	680
Impairment/Reversal of impairment	4	(644)	448	467
Movement in trade and other receivables	(295)	(260)	(2)	810
Movement in inventories	(858)	(831)	2,027	38
Movement in trade and other payables	387	(1,301)	1,332	3,813
Movement in provisions	81	(270)	65	699
Cash flow from operating activities	<u>(2,543)</u>	<u>(7,287)</u>	<u>616</u>	<u>2,756</u>
Investing activities				
Purchase of property, plant and equipment	<u>(165)</u>	<u>(817)</u>	<u>(1,639)</u>	<u>(1,854)</u>
Cash flow from investing activities	<u>(165)</u>	<u>(817)</u>	<u>(1,639)</u>	<u>(1,854)</u>
Cash flows from financing activities				
Movement in group investment	<u>2,720</u>	<u>8,125</u>	<u>953</u>	<u>(969)</u>
Net cash inflow from financing	<u>2,720</u>	<u>8,125</u>	<u>953</u>	<u>(969)</u>
Net change in cash and cash equivalents	<u>12</u>	<u>21</u>	<u>(70)</u>	<u>(67)</u>
Movement in net cash				
Cash and cash equivalents, beginning of period	205	184	254	321
Increase/(decrease) in cash and cash equivalents	<u>12</u>	<u>21</u>	<u>(70)</u>	<u>(67)</u>
Cash and cash equivalents, end of period	<u>217</u>	<u>205</u>	<u>184</u>	<u>254</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 Basis of preparation

The historical financial information shows the results of the Business for the three years ended 6 September 2008, 5 September 2009 and 4 September 2010 and the five four week periods ended 23 January 2010 and 22 January 2011, prepared for the purposes of ensuring compliance with the Listing Rules and the Prospectus Rules in connection with the Proposed Acquisition.

The historical financial information covers the years ended 6 September 2008, 5 September 2009 and 4 September 2010 and the five four week periods ended 23 January 2010 and 22 January 2011, is presented in £ sterling (being the functional and presentational currency of the Business) rounded to the nearest thousand and is prepared on the historical cost basis.

The financial information has been prepared in accordance with the requirements of the Listing Rules and in accordance with this basis of preparation. This basis of preparation describes how the historical financial information has been prepared in accordance with International Financial Reporting Standards effective at 22 January 2011 as adopted by the EU (Adopted IFRS).

Adopted IFRS does not provide for the specific accounting treatments set out below and accordingly in preparing the historical financial information certain accounting conventions commonly used in the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (the Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the material departures from Adopted IFRS set out below. In other respects Adopted IFRS has been applied. As a result of these matters, no statement of compliance with Adopted IFRS is included. As the historical financial information is the first financial information for the Business, it is not relevant to present a reconciliation between UK GAAP and IFRS.

The structure of the wider ARCS group is such that separate statutory financial statements for the Business have not previously been prepared. Furthermore, ARCS' underlying financial records aggregate the results of the Business with the results of other business streams, including travel, optical and furniture businesses, into a category defined as "Non-Food". To present the results of the Business in this historical financial information, the directors of ARCS have adopted certain methodologies in presenting the results of the Business as a stand-alone entity.

Central and divisional costs

The ARCS financial records contain cost categories described as central and divisional (non-food) costs. An apportionment of such central costs to the Business has been made in this historical financial information. In the case of staff and staff-related costs, this has been done by reference to the role of individual members of staff. In respect of non-staff costs, the apportionment has been based on the nature of specific costs and their relevance to the Business.

Total allocated central and divisional costs amount to £1.6 million (five four week periods ended 23 January 2010: £1.5 million; years ended 4 September 2010, 5 September 2009, 6 September 2008: £3.8 million, £3.6 million, £4.3 million). We set out below how major categories of central and divisional costs have been allocated to the Business. In addition to these specific items, other costs of £439,000 (five four week periods ended 23 January 2010: £431,000; years ended 4 September 2010, 5 September 2009, 6 September 2008: £1,026,000, £584,000, £997,000) have been allocated on a consistent basis based on the relative size of the Business in the context of the wider ARCS group.

Property costs

The properties from which the Business operates are a mix of freehold properties owned by ARCS and leasehold properties. In the case of freehold properties, these are held elsewhere in the ARCS group, and in certain cases (but not all) an internal rental charge is levied against the Business.

For the purposes of this historical financial information, the intention of the ARCS directors is that all properties occupied by the Business should bear an annual charge. This has been calculated as follows:

- properties leased from third parties – annual rental charge
- properties owned by the ARCS group, where an internal rental cost has historically been charged – annual internal rental
- properties owned by the ARCS group, where no internal rental cost has historically been charged – annual depreciation charge recorded in respect of those buildings.

The total allocated property costs amount to £753,000 (five four week periods ended 23 January 2010: £753,000; years ended 4 September 2010, 5 September 2009, 6 September 2008: £1,965,000, £2,092,000, £2,092,000).

Employee benefits

Defined benefit plans

ARCS operates a defined benefit pension scheme for the benefit of current and past employees of the ARCS group. This was closed to future accrual on 14 August 2009.

The plan exposes the Business to actuarial risks associated with the current and former employees of the overall ARCS group, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to the Business.

As a result, the Business recognises a cost equal to the contributions payable for each accounting period in respect of employees directly employed by the business or apportioned to it.

Defined contribution plans

Following closure of the defined benefit scheme to future accrual on 14 August 2009, the ARCS group now operates a defined contribution scheme. The assets of the scheme are held separately from those of the ARCS group in an independently administered fund.

As a result the Business recognises a cost equal to the contributions payable for each accounting period in respect of employees directly employed by the Business or apportioned to it.

Financing costs

ARCS organises its financing and treasury on a central basis, and it is not possible to apportion finance costs on a reasonable basis to the Business. Accordingly, no finance costs are recorded in this historical financial information.

Co-operative Society vouchers

As a co-operative society, ARCS operates a scheme whereby its members receive a notional “dividend” calculated by reference to their purchases from ARCS. That “dividend” is then encashed by members against future purchases from ARCS. In the period covered by this historical financial information, purchases by members from the Business have created a voucher liability for the wider ARCS group, and members have encashed their voucher entitlements from the wider ARCS group in part against purchases from the Business. An element of consideration is deferred and subsequently recognised in the period in which the awards are redeemed.

Property, plant and equipment

The historical financial information includes property, plant and equipment (principally store fixtures) directly attributable to the Business and which will transfer as part of the Proposed Acquisition. All other property, plant and equipment, including freehold properties, are excluded.

Finance agreement receivables

As part of its operations, the Business facilitates the provision of consumer finance by third parties to customers. Receivables, representing amounts due by third party finance providers in respect of sales of goods made to customers by the Business, are included in the Statement of Financial Position.

Cash and cash equivalents

As noted above, ARCS arranges its financing on a group basis. Accordingly, cash and cash equivalents recorded in this historical financial information solely relate to cash in tills in the Target Stores.

Payroll and sales tax balances

ARCS operates group payroll and sales tax registrations. For the purposes of this historical financial information, payroll tax liabilities have been estimated on a basis consistent with the apportionment of employee costs. Sales tax balances attributable to the Business have been calculated based on a reasonable apportionment of taxable sales and purchases.

Corporation tax

As the Business does not constitute a separate statutory entity, there is no requirement to calculate separable corporation tax assets or liabilities. For the purposes of this historical financial information, a tax rate of 28 per cent. of profit or loss before tax has been provided in the Statement of Comprehensive Income. As statutory tax assets or liabilities are only calculated and settled on a group basis, no separate tax assets or liabilities are included in this historical financial information, and any notional asset or liability arising by virtue of the Statement of Comprehensive Income treatment is set off against net group investment.

Group investment

As explained above, the Business is not a separate statutory entity and in certain cases (for example financing) it is not possible to identify separately assets and liabilities attributable to the Business which are only dealt with on an ARCS group basis. Accordingly, it would be inappropriate to show share capital or an analysis of reserves for the Business. The net liabilities of the Business are therefore represented by the cumulative investment of ARCS in the Business at each period end (shown as “Group investment”). Consistent with the above, this historical financial information does not contain a statement of changes in equity. In addition, this historical financial information does not include any distributions or dividends for the same reason.

1.1 *Adoption of new and revised standards*

For the purpose of this historical financial information, the Business has adopted the new and revised Standards and Interpretations in issue and effective, as issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union (EU), that are relevant to its operations. These are:

- IFRS 8 Operating Segments – effective from 1 January 2010 – disclosure impact only
- IAS 1: Presentation of financial statements (revised 2007) – effective from 1 January 2010 – impact on format of primary statements presented
- IFRIC 13 Customer Loyalty Programmes – effective from 1 July 2008 – disclosure impact only

At the date of authorisation of this historical financial information, the following standards were in issue but not yet effective:

- Amendment to IFRIC 13 – effective period beginning on or after 1 January 2011 – The fair value of award credits will take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits

- IFRS 9 Financial Instruments – effective date 1 January 2013 – The IASB aims to replace IAS 39 Financial Instruments Recognition and Measurement in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project.

2 Summary of accounting policies

Overall considerations

These accounting policies have been used throughout all periods presented in this historical financial information, except where the Business has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Business and the effects of transition to IFRS are outlined in note 1 above.

The historical financial information is presented in UK £ Sterling. This currency is the functional and presentational currency of the Business.

Presentation of financial statements in accordance with IAS 1 (Revised 2007)

The historical financial information is presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007), subject to certain adjustments which are required to reflect the fact that the Business is not a statutory entity. These adjustments are explained in more detail in note 1. The Business has elected to present the Statement of Comprehensive Income in one statement.

2.1 Revenue

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for sales to customers in the normal course of business, net of discounts and sales related taxes and includes the profit contribution earned on agency sales (including concession departments). Revenue is recognised when goods are delivered to customers and title is passed. Gross sales reflect revenue inclusive of concession sales and VAT. As an integral part of the Business, the Target Stores contain concessions operated both by third parties and by other parts of the ARCS business. Third party concessions (principally fashion-related) will transfer with the Business under the Acquisition Agreement. This historical financial information discloses the gross revenue attributable to such concessions, and includes the concession margin earned by the Business on such revenue. Concessions for other businesses owned by the wider ARCS group (in respect of, for example, furniture, travel and optical businesses) have also operated from the Target Stores. Under the terms of the Proposed Acquisition, such businesses will continue to operate from the Target Stores and a concession margin will be paid. Historically, no such concession margin was earned by the Business, and therefore for the purpose of this historical financial information, the gross revenue attributable to such revenue is not disclosed, and no pro forma concession margin earned has been included.

2.2 Segment reporting

The ARCS directors regard the Business as a single operating segment.

2.3 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets acquired under finance lease are capitalised and the outstanding future lease obligations are shown in creditors.

Rentals payable under operating leases (including any pre-determined rental increase) are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease.

2.4 ***Property, plant and equipment***

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by equal annual instalments over their expected useful lives, using the straight line method. The rates generally applicable are:

Fixtures and fittings	10 per cent. to 33.33 per cent. per annum
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The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

The assets' residual value and useful lives are reviewed, and adjusted if required, at each accounting period end. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

2.5 ***Impairment of property, plant and equipment***

At each balance sheet date, or more frequently if an indicator of impairment exists, the Business reviews the carrying amounts of its property, plant and equipment 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 it is not possible to estimate the recoverable amount of an individual asset, the Business estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income, 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 (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant assets are carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.6 ***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.

2.7 ***Taxation***

The basis of calculation of tax income or expense is explained under the Basis of preparation in note 1 above.

2.8 ***Provisions***

Provisions are recognised when the Business has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be

required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the period end date, including the risks and uncertainties associated with the present obligation.

In the case of onerous lease provisions, where the Business is committed to future rental payments on a property that are in excess of income generated by that property, an onerous lease provision is made. In assessing whether a provision is required management assess whether there are realistic alternatives other than continuing to trade and that continuing to trade is the least cost strategy for the Business. The provision represents the lower of i) the cost to exit the lease, ii) the discounted value of future rentals, and iii) the discounted value of future trading losses. The value of fixtures and fittings at the location are also considered and are written down to zero with the remaining amount being booked as a provision.

2.9 Financial instruments

Financial assets and financial liabilities are recognised when the Business becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit and loss (FVTPL), held-to-maturity investments, available for sale 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.

The Business has no held-to-maturity investments, financial assets at FVTPL or available for sale financial assets.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each year end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been adversely impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

If, in a subsequent period, an amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Business has no financial liabilities at FVTPL. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the Statement of Comprehensive Income line items "finance costs" or "finance income".

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities 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.

2.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Business will not be able to collect all amounts due according to the original terms of the receivables.

2.11 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Cash and cash equivalents

Cash and cash equivalents represents cash held in target store tills at each year-end date.

3 Critical accounting judgements and key sources of estimation uncertainty

In the process of preparing this historical financial information, the critical judgements made by the ARCS directors relate to the basis of preparation to comply with the requirements of the United Kingdom Listing Authority and to enable the historical financial information to show a true and fair view for the purposes of the prospectus. The judgements made, as they relate to different financial statement areas, are explained in more detail in notes 1 and 2 above.

In applying that basis of preparation, the ARCS directors have had to make estimates in certain areas, for instance in the attribution of central costs to the Business. Whilst the ARCS directors have made every effort to make such estimates on a fair and reasonable basis, they remain key sources of estimation uncertainty.

Going concern

The ARCS directors are required to assess whether ARCS has adequate resources to continue in operational existence for the foreseeable future.

The Historical Financial Information on the Business has been prepared on the assumption that ARCS remains a going concern and continues to support the Business via intercompany funding.

The ARCS group currently meets its day to day working capital requirements from its cash reserves and revolving credit facility which is due for repayment on 28 February 2013.

The ARCS directors have reviewed the ARCS group's forecast of cash flows for the current and following period. Following this review, and taking into account repayments to be made in relation to bank loans, those directors have formed a judgement that at the time of approval of this historical financial information, the ARCS group has sufficient resources to continue operating for the foreseeable future.

In addition to such judgements, the following represent sources of estimation uncertainty:

Inventory valuation

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

Provisions

Provisions are made in respect of onerous leases. Provisions are recognised when the ARCS directors can make a reliable estimate and are satisfied that the liability is probable. However, such liabilities may depend upon the actions of third parties and on the specific circumstances pertaining to each obligation, neither of which are fully controlled by the Business.

Impairment

The Target Stores' property, plant and equipment 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 of 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.

4 Revenue, segmental information and loss before taxation

Revenue relates wholly to retail sales made in the UK. Revenue excludes the non-commission element of sales made by concession outlets. The ARCS directors regard the Business as consisting of one segment. The Business is monitored and strategic decisions are made by the Chief Operating Decision Maker based on revenues, gross profit and operating results.

	22 January	(unaudited) 23 January	4 September	5 September	6 September
	2011	2010	2010	2009	2008
	£000	£000	£000	£000	£000
Gross sales	26,367	26,537	61,062	60,468	66,583
VAT	(2,667)	(2,325)	(5,462)	(4,950)	(5,963)
Gross sales (excluding VAT)	23,700	24,212	55,600	55,518	60,620
Agency sales less commission	(6,940)	(7,336)	(17,600)	(19,081)	(21,018)
Effect of customer loyalty programmes	(194)	(53)	(252)	(143)	(194)
Revenue	<u>16,566</u>	<u>16,823</u>	<u>37,748</u>	<u>36,294</u>	<u>39,408</u>

5 Loss before taxation

The loss before taxation is stated after charging/(crediting):

	22 January 2011 £000	(unaudited) 23 January 2010 £000	4 September 2010 £000	5 September 2009 £000	6 September 2008 £000
Cost of inventories recognised as an expense	10,687	11,169	22,956	18,276	21,920
Operating lease rentals – land and buildings	1,321	1,196	3,242	2,971	2,682
Operating lease rentals – vehicles	43	40	113	126	122
Depreciation: property, plant and equipment – owned assets	381	247	918	744	680
Charge in respect of onerous lease provisions	155	–	24	294	699
(Credit)/charge in respect of impairments	4	–	(644)	448	467
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6 Income tax

	22 January 2011 £000	(unaudited) 23 January 2010 £000	4 September 2010 £000	5 September 2009 £000	6 September 2008 £000
Notional corporation tax credit @ 28% (2010: 28%, 2009: 28%, 2008: 28%)	628	330	1,372	1,119	1,050
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7 Directors and employees

The average number of people directly employed in the Business (excluding apportioned employees) during the relevant periods were:

	22 January 2011 £000	(unaudited) 23 January 2010 £000	4 September 2010 £000	5 September 2009 £000	6 September 2008 £000
Operations – full time	261	247	252	255	287
– part time	608	583	593	546	549
Corporate office – full time	13	14	13	13	15
– part time	2	2	2	2	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	884	846	860	816	853
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7 Directors and employees (continued)

The aggregate cost of these employees (including apportioned costs) was:

	22 January 2011 £000	(unaudited) 23 January 2010 £000	4 September 2010 £000	5 September 2009 £000	6 September 2008 £000
Wages and salaries	3,530	3,208	8,386	7,627	8,277
Payroll taxes	235	241	594	540	675
Other pension costs	87	76	197	599	685
	<u>3,852</u>	<u>3,525</u>	<u>9,177</u>	<u>8,766</u>	<u>9,637</u>

Included within these costs is an allocation of central costs which includes an apportionment of senior management and ARCS' costs. The amounts in question were £592,000 for the year ended 4 September 2010, £657,000 for the year ended 5 September 2009, £621,000 for the year ended 6 September 2008, £244,000 for the four week period ended 23 January 2010 and £230,000 for the four week period ended 22 January 2011.

8 Summary of financial assets and liabilities by category

The carrying amounts of the financial assets and liabilities of the Business as recognised at the period end date of the reporting periods under review may also be categorised as follows.

8.1 Financial assets by category

The IAS 39 categories of financial asset included in the Statement of Financial Position and the headings under which they are included are as follows:

	At 22 January 2011 £000	At 4 September 2010 £000	At 5 September 2009 £000	At 6 September 2008 £000
Financial assets				
Trade and other receivables	1,096	801	541	539
Cash and cash equivalents	217	205	184	254
	<u>1,313</u>	<u>1,006</u>	<u>725</u>	<u>793</u>

8.2 Financial liabilities by category

The IAS 39 categories of financial liabilities included in the Statement of Financial Position and the headings under which they are included are as follows:

	At 22 January 2011 £000	At 4 September 2010 £000	At 5 September 2009 £000	At 6 September 2008 £000
Financial liabilities				
Trade and other payables	5,552	5,165	6,465	5,134
	<u>5,552</u>	<u>5,165</u>	<u>6,465</u>	<u>5,134</u>

9 Property, plant and equipment

	<i>Fixtures & Fittings £000</i>	<i>Total £000</i>
Cost		
At 1 September 2007	12,166	12,166
Additions	1,854	1,854
Disposals	(67)	(67)
At 6 September 2008	13,953	13,953
Additions	1,639	1,639
Disposals	(1,712)	(1,712)
At 5 September 2009	13,880	13,880
Additions	817	817
Disposals	(317)	(317)
At 4 September 2010	14,380	14,380
Additions	165	165
Disposals	(30)	(30)
At 22 January 2011	14,515	14,515
Accumulated depreciation		
At 1 September 2007	10,280	10,280
Charged in year	680	680
Impairment in year	467	467
Eliminated on disposals	(67)	(67)
At 6 September 2008	11,360	11,360
Charged in year	744	744
Impairment in year	448	448
Eliminated on disposals	(1,712)	(1,712)
At 5 September 2009	10,840	10,840
Charged in year	918	918
Reversal of impairment in year	(644)	(644)
Eliminated on disposals	(317)	(317)
At 4 September 2010	10,797	10,797
Charged in period	381	381
Impairment in period	4	4
Eliminated on disposals	(30)	(30)
At 22 January 2011	11,152	11,152
Net book amount at 22 January 2011	3,363	3,363
Net book amount at 4 September 2010	3,583	3,583
Net book amount at 5 September 2009	3,040	3,040
Net book amount at 6 September 2008	2,593	2,593

10 Inventories

	<i>At</i> 22 January 2011 £000	<i>At</i> 4 September 2010 £000	<i>At</i> 5 September 2009 £000	<i>At</i> 6 September 2008 £000
Finished goods for resale	7,844	6,986	6,155	8,182

The amount of inventories written down in the period was £78,000 (years ended 4 September 2010, 5 September 2009, 6 September 2008: £57,000, £58,000, £76,000).

11 Trade and other receivables

	<i>At</i> 22 January 2011 £000	<i>At</i> 4 September 2010 £000	<i>At</i> 5 September 2009 £000	<i>At</i> 6 September 2008 £000
Trade receivables	77	136	98	208
Other receivables	1,019	665	443	331
	<u>1,096</u>	<u>801</u>	<u>541</u>	<u>539</u>

All trade receivable amounts are short term. All the trade and other receivables of the Business have been reviewed for indicators of impairment and no material impairment is considered to have arisen. The carrying value is considered a fair approximation of their fair value.

In addition, elements of the unimpaired trade receivables of the Business are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	<i>At</i> 22 January 2011 £000	<i>At</i> 4 September 2010 £000	<i>At</i> 5 September 2009 £000	<i>At</i> 6 September 2008 £000
Not more than three months	38	98	98	181
More than three months but not more than six months	39	27	–	13
More than six months but not more than one year	–	11	–	2
More than one year	–	–	–	12
	<u>77</u>	<u>136</u>	<u>98</u>	<u>208</u>

12 Trade and other payables

	<i>At</i> 22 January 2011 £000	<i>At</i> 4 September 2010 £000	<i>At</i> 5 September 2009 £000	<i>At</i> 6 September 2008 £000
Trade payables	3,230	3,158	3,648	3,493
Other taxation and social security	525	254	554	–
Accruals	1,470	1,540	2,039	1,330
Deferred income	177	120	153	173
Other creditors	150	93	71	138
	<u>5,552</u>	<u>5,165</u>	<u>6,465</u>	<u>5,134</u>

12 Trade and other payables (continued)

All amounts are short term and the ARCS directors consider that the carrying values of trade and other payables are a reasonable approximation of their fair value.

13 Provision for liabilities and charges

	<i>At 22 January 2011 £000</i>	<i>At 4 September 2010 £000</i>	<i>At 5 September 2009 £000</i>	<i>At 6 September 2008 £000</i>
At beginning of period/year	494	764	699	–
Charged to profit and loss	155	24	294	699
Utilised in year	(74)	(294)	(229)	–
At end of period/year	<u>575</u>	<u>494</u>	<u>764</u>	<u>699</u>

The provisions relate to onerous leases at department store properties, where the Business is committed to future lease rentals in excess of income generated at those locations. The outflow of cash is expected to occur either over the remaining lease term as lease rentals are paid or for particular leases the outflow is expected to occur at the point that an exit from the lease can be agreed. The leases run for a variety of different terms with the longest remaining lease period running to 28 September 2027. The remaining leases included in the provision expire between 2012 and 2016.

14 Interest rate risk

The Statement of Financial Position includes trade receivables and payables, which do not attract interest. As the ARCS group manages its finance and treasury functions on a central basis, the Business has no direct exposure to interest rate risk.

15 Currency risk and foreign currency sensitivity

The Business is not exposed to any significant transaction foreign exchange risk. The Business does not adopt a prescribed policy to eliminate currency exposures as the risk is minimal.

16 Operating lease commitments

The future minimum lease commitments under non-cancellable operating leases are as follows:

	<i>22 January 2011</i>		<i>4 September 2010</i>		<i>5 September 2009</i>		<i>6 September 2008</i>	
	<i>Land and buildings</i>	<i>Transport</i>	<i>Land and buildings</i>	<i>Transport</i>	<i>Land and buildings</i>	<i>Transport</i>	<i>Land and buildings</i>	<i>Transport</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases expiring:								
Within one year	1,696	80	1,696	80	939	57	939	61
Between two and five years	5,819	81	6,098	112	3,676	96	3,711	142
Over five years	5,627	–	5,966	–	6,079	–	6,971	–
	<u>13,142</u>	<u>161</u>	<u>13,760</u>	<u>192</u>	<u>10,694</u>	<u>153</u>	<u>11,621</u>	<u>203</u>

The above commitments relate only to leases entered into with third parties in respect of the Business, and therefore exclude any informal internal leases with other members of the ARCS group (see further within the Property costs section of the Basis of preparation note).

17 Credit risk analysis

The exposure of the Business to credit risk is limited to the carrying amount of financial assets recognised at the year end date, as summarised below:

	<i>At</i> <i>22 January</i> <i>2011</i> <i>£000</i>	<i>At</i> <i>4 September</i> <i>2010</i> <i>£000</i>	<i>At</i> <i>5 September</i> <i>2009</i> <i>£000</i>	<i>At</i> <i>6 September</i> <i>2008</i> <i>£000</i>
Cash and cash equivalents	217	205	184	254
Trade and other receivables	1,096	801	541	539
	<u>1,313</u>	<u>1,006</u>	<u>725</u>	<u>793</u>

The Business continuously monitors its counterparties and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit rating and/or reports on customers and other counterparties are obtained and used. The policy of the Business is to deal only with creditworthy counterparties.

The ARCS directors consider that the above financial assets are not impaired for each of the reporting dates under review and are of good credit quality, including those that are past due (see note 11 for further information on fair value of financial assets at each period end date).

None of the financial assets of the Business are secured by collateral or other credit enhancements.

18 Liquidity risk

ARCS seeks to manage financial risk in the Business by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably. The liquidity needs of the Business are managed by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands and on a week-to-week basis, as well as on the basis of a rolling 90-days projection. Long-term liquidity needs for a 180-day and a 360-day outlook period are identified monthly.

All financial liabilities have maturities of 6 months or less.

19 Capital commitments

At 22 January 2011, the Business had no capital commitments (September 2010, 2009, 2008 £nil).

20 Contingent liabilities

There were no contingent liabilities external to the Business at 22 January 2011 (September 2010, 2009, 2008 £nil).

21 Pensions

Contributions paid to the personal pension plans of employees are charged to the Statement of Comprehensive Income in the period in which they become payable.

22 Transactions with directors and other related parties

The Business was charged commercial rents from other group companies. Both Westgate Properties (Anglia) Limited and Food and Funeral Properties Limited (formerly Westgate Optical Limited) charged rent of £414,000 and £258,000 respectively during the five four week periods ended 22 January 2011 (five four week periods ended 23 January 2010: £414,000 and £258,000 respectively, years ended 4 September 2010, 5 September 2009, 6 September 2008: £1,080,000 and £673,000 respectively).

22 Transactions with directors and other related parties (continued)

These rents are paid quarterly in advance with prepayments of £185,000 and £115,000 respectively, being recorded at 22 January 2011 (4 September 2010 £59,000 and £37,000, 5 September 2009 £56,000 and £35,000, 6 September 2008 £54,000 and £33,000 respectively).

Day to day transactions between key management and the Business are conducted on an arm's length basis. The aggregate amount due from these related parties on store cards is not significant at the period end.

During the year ended 6 September 2008 Moorewood Estates, Chartered Surveyors has advised ARCS on certain property transactions. Moorewood Estates is owned by Mr R A Newton, a director of ARCS. All transactions have been carried out in the normal course of business and fees have been agreed on an arm's length commercial basis. Total fees for the year were £29,400. A balance of £3,800 was outstanding at the year end. There were no transactions in 2009, 2010 or the five four week periods to 22 January 2011.

23 Events after the year end date

Subsequent to the balance sheet date, no events have been identified requiring adjustment or disclosure in this financial information.



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United Kingdom

The Directors
Beale PLC
The Granville Chambers
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Shore Capital and Corporate Limited
Bond Street House
14 Clifford Street
London
W1S 4JU

20 April 2011

Dear Sirs

ARCS' Department Stores business ('the target business')

We report on the financial information set out on pages 61 to 78 of the Prospectus dated 20 April 2011 of Beale PLC. This financial information has been prepared for inclusion in the Prospectus relating to the acquisition of the target business dated 20 April 2011 of Beale PLC on the basis of the accounting policies set out in Note 1 and 2. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Beale PLC are responsible for preparing the financial information on the basis of preparation set out in note 1 to the historical financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rules 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6) and paragraph 23.1 Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 20 April 2011, a true and fair view of the state of affairs of the target business as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP
Chartered Accountants

PART VIII

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

A. UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP AS AT 30 OCTOBER 2010

Set out below is an unaudited pro forma statement of net assets of the Group which has been prepared to illustrate the effect the Proposed Acquisition might have had on the consolidated net assets of the Group as at 30 October 2010, being the date of the last published consolidated balance sheet of the Group, on the assumption that the Proposed Acquisition was completed on that date. This table has been prepared for illustrative purposes only, and because of its nature addresses a hypothetical situation and does not represent the Group's actual financial position following the Proposed Acquisition.

	<i>Beale Group as at 30 October 2010</i>	<i>Adjustments</i>				<i>Pro forma</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	<i>Note 5</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current assets						
Goodwill	892	–	–	–		892
Property, plant and equipment	24,096	–	–	200		24,296
Financial assets	16	–	–	–		16
	<u>25,004</u>	<u>–</u>	<u>–</u>	<u>200</u>		<u>25,204</u>
Current assets						
Inventories	9,495	7,000	–	–		16,495
Trade and other receivables	4,402	300	–	–		4,702
Cash and cash equivalents	466	(7,300)	13,300	(1,300)		5,166
	<u>14,363</u>	<u>–</u>	<u>13,300</u>	<u>(1,300)</u>		<u>26,363</u>
Total assets	<u>39,367</u>	<u>–</u>	<u>13,300</u>	<u>(1,100)</u>		<u>51,567</u>
Current liabilities						
Trade and other payables	(10,040)	–	(500)	–		(10,540)
Tax liabilities	(35)	–	–	–		(35)
	<u>(10,075)</u>	<u>–</u>	<u>(500)</u>	<u>–</u>		<u>(10,575)</u>
Net current assets	<u>4,288</u>	<u>–</u>	<u>12,800</u>	<u>(1,300)</u>		<u>15,788</u>
Non-current liabilities						
Bank loan	(8,600)	–	–	–		(8,600)
Retirement benefit obligations	(2,482)	–	–	–		(2,482)
Deferred tax liabilities	(2,639)	–	–	–		(2,639)
Obligations under finance leases	(979)	–	–	–		(979)
Other payables	–	–	(10,500)	–		(10,500)
	<u>(14,700)</u>	<u>–</u>	<u>(10,500)</u>	<u>–</u>		<u>(25,200)</u>
Total liabilities	<u>(24,775)</u>	<u>–</u>	<u>(11,000)</u>	<u>–</u>		<u>(35,775)</u>
Net assets	<u>14,592</u>	<u>–</u>	<u>2,300</u>	<u>(1,100)</u>		<u>15,792</u>

Notes

The unaudited pro forma statement of net assets as at 30 October 2010 has been compiled on the following basis:

1. The net assets of the Beale Group as at 30 October 2010 have been extracted without material adjustment from its published audited financial statements for the year ended 30 October 2010.
2. As set out in paragraph 1 of Part IX of this document, the assets of the Business to be acquired comprise inventories (stocks) at an estimated value of up to £7.0 million, £0.2 million for cash floats and store fixed assets for a nominal consideration. A deposit of £0.3 million will also be paid in respect of inventory to be delivered at a later date.

The cash payment of £7.5 million has been allocated as follows:

	£'000
Inventories	7,000
Trade and other receivables – deposit	300
Cash and cash equivalents – cash floats	200
	<hr/> 7,500
Less cash floats acquired	(200)
Net cash movement	<hr/> 7,300 <hr/>

3. As detailed in Part I of this document, funding for the Proposed Acquisition will be provided in the form of preference shares to be issued for a consideration of £8.5 million and a £2.5 million term loan. A cash contribution of £2.3 million will also be paid by ARCS giving total cash funding of £13.3 million.

The funding has been allocated as follows:

	£'000	£'000
Non-current liabilities – other payables		
Preference shares		8,500
Term loan	2,500	
Less current portion – trade and other payables	(500)	
	<hr/>	2,000
Current liabilities		10,500
		<hr/> 500
Preference share and term loan funding		11,000
Cash contribution		2,300
Total cash funding		<hr/> 13,300 <hr/>

4. The expenses of the Proposed Acquisition are estimated to be approximately £1.3 million of which £0.2 million relates to stamp duty land tax.
5. No allowance has been made for any fair value adjustments including in relation to fixed assets and leases or for the identification of intangible assets including negative goodwill or any associated deferred tax liability.

Save for the adjustments outlined above, no account has been taken of any trading or transactions since 30 October 2010.

B. REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF NET ASSETS



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The Board of Directors
on behalf of Beale PLC
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Shore Capital and Corporate Limited
Bond Street House
14 Clifford Street
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W1S 4JU

20 April 2011

Dear Sirs

Beale PLC (the “Company”)

We report on the pro forma financial information (the “Pro forma financial information”) set out in Part VIII A of the prospectus dated 20 April 2011 (the “Prospectus”), which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the proposed acquisition might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 October 2010. This report is required by Annex I item 20.2 of Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”) and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro forma financial information in accordance with Annex I item 20.2 and Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, in accordance with Annex I item 20.2 of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any persons and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept

responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office is at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited

PART IX

SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE ACQUISITION AGREEMENT, TERM LOAN AGREEMENT, IT SERVICES AGREEMENT AND NED AGREEMENT

1. Acquisition Agreement

General provisions

Under the terms of the Acquisition Agreement, ARCS will sell and JEB will acquire the fixed assets (comprising shop fittings, fixtures, furniture and machinery), certain motor vehicles, office and IT equipment (other than any EPoS terminals), contracts and goodwill together with certain relevant intellectual property associated with the Target Stores (including the “Westgate”, “Contact Electrical Homestores” and “Comfortmaker” brands) and their respective stock in trade, inventory and stores, forward orders made for new stock items and cash floats. Liability for the payment of any outstanding creditors of the Business and the benefit of any book debts as at Completion will remain with ARCS.

In addition, JEB will be required within six months following Completion (or by 27 December 2011 if earlier) to purchase for sale through the Target Stores further stocks held at ARCS’ distribution centre in Peterborough. Existing employees of the Target Stores together with certain head-office employees engaged primarily in the central administration of the Business and staff engaged at the Abingdon warehouse will also transfer to JEB on Completion.

Between exchange of the Acquisition Agreement and Completion, ARCS will be required to ensure that the Target Stores are operated in the ordinary and usual course and will be restricted from entering into obligations in respect of forward orders or purchasing stocks from any new supplier or (except where the level of expenditure committed to with any single supplier is less than £5,000 (plus VAT) and with all suppliers is less than £50,000 (plus VAT) in aggregate), other than at the written direction of JEB. New forward orders may only be committed to in the ordinary course of business and on a basis consistent with ARCS’ past practice.

Completion of the Proposed Acquisition, the issue by the Company to ARCS of the Preference Shares and draw-down by JEB of the Term Loan are each conditional on obtaining the necessary approvals of Shareholders at the Extraordinary General Meeting (the “**Condition**”).

If the Condition is not satisfied by 31 August 2011, ARCS may, on 10 business days notice, terminate the Acquisition Agreement in its entirety (which will thereupon cease to have effect). Completion of the purchase of the Business is proposed to take place on the Completion Date. The aggregate consideration payable on Completion will be a nominal amount in respect of the fixed assets, contracts and goodwill associated with the Business, £7.0 million in respect of the stocks of the Target Stores and £0.2 million in respect of cash floats. An initial deposit of £0.3 million will also be payable on account of those further stocks held at ARCS’ distribution centre for delivery to the Target Stores following Completion. The consideration payable in respect of the Proposed Acquisition will be financed entirely from the proceeds of the subscription to be made by ARCS for the Preference Shares and by drawdown of the Term Loan by JEB.

Following Completion ARCS will also pay financial contributions to JEB to support the viability of certain of the Target Stores and to enable them to integrate into the Beale format. These payments will amount in aggregate in the first year following Completion to approximately £2.4 million. These payments will be made provided JEB continues to trade the relevant stores.

Provisions relating to occupation of the Target Stores

Summary details of the Target Stores and the terms on which they will be occupied appear below:

<i>Property</i>	<i>Lease term</i>	<i>Annual rent</i>	<i>Approximate trading square footage</i>
Group A			
Unit C Fairacres, Marcham Road, Abingdon, Oxfordshire	To 28 February 2022 (excluded from security of tenure)	£403,530	18,000
80 Newgate Street, Bishop Auckland, County Durham	15 years from Completion	£100,000 plus 5 per cent. of net turnover in excess of an agreed target	27,000
8 Market Place, Diss, Norfolk	15 years from Completion	£50,000 plus 5 per cent. of net turnover in excess of an agreed target	6,000
Sunwin House, Low Street, Keighley, West Yorkshire	15 years from Completion	£250,000 plus 5 per cent. of net turnover in excess of an agreed target	47,000
7 Market Place, Spalding, Lincolnshire	15 years from Completion (excluded from security of tenure)	£75,000 plus 5 per cent. of net turnover in excess of an agreed target	19,000
57 High Street, St Neots, Cambridgeshire	15 years from Completion	£200,000 plus 5 per cent. of net turnover in excess of an agreed target	24,000
Group B			
22 Smallgate, Beccles, Suffolk	10 years from Completion (excluded from security of tenure)	Equal to 20 per cent. of store profit	17,000
141 London Road North, Lowestoft, Suffolk	10 years from Completion (excluded from security of tenure)	Equal to 20 per cent. of store profit	21,000
Co-operative House, Queen Street, Mansfield, Nottinghamshire	10 years from Completion (excluded from security of tenure)	Equal to 20 per cent. of store profit	94,000
Westgate House, Park Road, Peterborough, Cambridgeshire	10 years from Completion (excluded from security of tenure)	Equal to 20 per cent. of store profit	83,000
77-87 Lumley Road, Skegness, Lincolnshire	10 years from Completion (excluded from security of tenure)	Equal to 20 per cent. of store profit	38,000
1-2 Church Terrace, Wisbech, Cambridgeshire	10 years from Completion (excluded from security of tenure)	Equal to 20 per cent. of store profit	26,000

<i>Property</i>	<i>Lease term</i>	<i>Annual rent</i>	<i>Approximate trading square footage</i>
Group C			
1-4 High Street, Chipping Norton, Oxfordshire	To 8 August 2014	£75,000	10,000
Town Hall Buildings, High Street, Cinderford, Gloucestershire	To 11 September 2013	£52,000	10,000
5 Albert Street, Harrogate, North Yorkshire	To 18 September 2014 (excluded from security of tenure)	£400,000	34,000
Westgate House, Vancouver Centre, Kings Lynn, Norfolk	To 24 December 2016	£190,000	19,000
7 Regent Walk, Redcar, Cleveland	10 years from Completion (excluded from security of tenure)	£195,630	25,000
6 Market Place, Saffron Walden, Essex	10 years from Completion (excluded from security of tenure)	£185,000	10,000
Swadford Street, Skipton, North Yorkshire	To 29 November 2012 (excluded from security of tenure)	No rent payable	27,000
Abingdon warehouse, 1 Blacklands Way, Abingdon Business Park, Oxfordshire	To 25 December 2011 (by virtue of break rights to be exercised)	£72,500	N/A

JEB will on Completion (for the annual rental and lease duration indicated in the table which appears above):

- take assignments (to the extent then permitted) of the leases held by ARCS or Westgate over the Target Stores located at Chipping Norton, Cinderford and Kings Lynn and the separate warehouse property in Abingdon. It has been agreed that the landlord's consent to the assignment of the Kings Lynn lease will also insert a right for the landlord to terminate the lease on not less than 12 months' notice expiring on or after the date falling 2 years from the grant of the consent;
- enter into sub-leases (to the extent then permitted) of the head leases held by ARCS or Westgate over the Target Stores located at Harrogate, Redcar, Saffron Walden and Abingdon (the sub-leases at Redcar and Saffron Walden being terminable by the landlord on not less than 6 months' notice); and
- enter into new leases with ARCS or Westgate (as appropriate) in respect of the Target Stores located:
 - in Bishop Auckland, Diss, Keighley, Spalding and St. Neots for terms of fifteen years with increases in the minimum rent payable at the end of the fifth and tenth years (save in the case of the Target Store in Spalding where separate arrangements will apply including a right for Westgate to terminate after the third year of the term if JEB does not agree to pay the rent up to a specific threshold); and

- in Beccles, Lowestoft, Mansfield, Peterborough, Skegness and Wisbech for terms of ten years such leases having the benefit of mutual break options in favour of ARCS/Westgate and in favour of JEB on or after the third (or, in respect of Skegness, second) anniversary of Completion. JEB will also have a right of first refusal on any subject to contract transaction agreed by ARCS or Westgate (as appropriate) with a third party to acquire a new lease over any of these properties and neither ARCS nor Westgate will have any right to transfer or let any of these properties to another department store user (except a discount retailer); and/or
- enter into a concession arrangement in relation to part of the store at Skipton and become subject to similar arrangements in relation to any of the Target Stores located at Abingdon (store and warehouse), Chipping Norton, Cinderford and Kings Lynn in respect of which the formal consent of the relevant landlord and/or mortgagee to the proposed assignment/transfer, sub-letting or underletting (as appropriate) of the relevant leases has not, by Completion, been obtained. Such arrangements will put JEB in the position it would have been in had it completed the relevant assignment/underletting. ARCS has agreed to indemnify JEB for any closure costs and (in respect of Skipton only) losses arising from stock seizure in the event action is taken by any landlord. Each such concession arrangement will operate for a period of 12 months during which time JEB must decide whether to take an assignment/underletting in any event at risk or close the store, in which case ARCS will indemnify JEB against any closure costs. ARCS will be entitled to terminate any such arrangement on six months' notice in the event that the relevant landlord takes proceedings on the grounds that the arrangement is in breach of the applicable lease.

The leases of the group "A" Target Stores will be granted on the basis that JEB will be liable for both internal and external repairs subject to schedules of condition agreed between the parties. The leases of the group "B" Target Stores will be granted on an internal repairing basis only subject to these schedules of condition and, in relation to the leases of the group "C" Target Stores, ARCS will also indemnify JEB in respect of any costs and expenses incurred by it in making good (if required by the landlord) any wants of repair shown on those schedules and for any pre-existing reinstatement liabilities. At Skipton, because a concession agreement is being granted, JEB will not have a repairing liability.

ARCS is required to carry out certain remedial works to the group "A" Target Stores in accordance with an agreed schedule within twelve months of Completion.

In the event that either ARCS or Westgate (as appropriate) or JEB exercises its right to terminate one or more of the leases or sub-leases to be entered into in respect of various of the Target Stores, then ARCS will indemnify JEB in respect of any non-payroll related costs and expenses (including without limitation any fixed asset write off) incurred by JEB in connection with such termination and the associated closure of the relevant Target Store. In addition to the indemnities described above, ARCS will indemnify JEB against all occupancy costs incurred by it in relation to its occupation of the warehouse property in Abingdon.

ARCS will, on Completion, be required to pay JEB a cash sum of £2.3 million (the "**Inducement Amount**") part of which must be used by it to finance fit-out improvements to some or all of the Target Stores. In the event that JEB has not, within 12 months of Completion, spent or otherwise committed itself contractually to spend within 30 days thereof at least £1.2 million of the Inducement Amount (excluding VAT) on improvements, the amount of such shortfall must be repaid to ARCS and may not be reclaimed by JEB.

Provisions relating to the Business

ARCS and JEB will be required, during the week prior to Completion, to have carried out a joint stock taking exercise and, within 60 days following Completion, agreed such adjustments (if any) as may be required to the value of stock held at each of the Target Stores and any apportionments required in respect of prepayments and accruals made in relation to outgoings or expenses of the Business.

Any damaged, unsaleable and terminal stocks will be disregarded in this valuation and transferred at nil value and all other stock will (by reference to its product category) have an appropriate age discounting and margin provision applied to it. Any stock held in the Target Stores at Completion having a value which

exceeds the agreed initial valuation of £7.0 million will be paid for by JEB on or before the date falling six months from Completion.

Any further balancing amounts payable by JEB or repayable by ARCS will be paid within 14 days following agreement or, in the event of any dispute, determination by an independent expert of the completion statement.

ARCS has given certain warranties and indemnities to JEB in respect of the Business (subject to normal limitations) customary for a transaction of this nature. JEB will be able to bring claims for breach of any warranty for a period of up to 18 months following Completion. The aggregate liability of ARCS under the warranties given by it is £3.5 million.

For a period of five years from Completion, ARCS and Westgate have each agreed not to carry on any trade or business (other than ARCS' retained concessions businesses and its existing Anglia Home Furnishing ("AHF") operation and ancillary homewares business) which competes with the Business within a radius of 20 miles from any Target Store. However, ARCS will be permitted to open new AHF stores which primarily sells furniture so long as sales of homewares and products do not represent more than 5 per cent. of the store's total revenues if any such store lies within a five mile radius of any of the Target Stores. JEB will also allow ARCS to use (on a royalty free basis) the name "Westgate" in connection with the carrying on following Completion of its retained department store businesses in Scunthorpe, Blyth, March and Hartlepool.

In addition, ARCS and Westgate have each agreed for a period of two years from Completion not to induce any supplier of goods or services to the Business to cease to supply the Target Stores or, without the prior agreement of JEB, to employ or engage any employee of the Business having a base salary of £25,000 per annum or more.

ARCS and JEB will on Completion enter into new concession agreements in customary form regulating the future operation by ARCS of in-store concessions relating to the sale of furniture, beds and floorcoverings and the provision of travel agency, optician and hairdressing services at certain of the Target Stores.

The Acquisition Agreement also provides that ARCS will indemnify JEB up to an aggregate maximum amount of £2.5 million and until various dates following Completion in respect of any obligation it has to make certain severance payments associated with any restructuring exercise undertaken in relation to those employees engaged in any of the Target Stores or in the central administration of the Business or in the event that either ARCS or Westgate (as appropriate) or JEB exercises its right to terminate one or more of the leases or sub-leases to be entered into in respect of the Target Stores.

The parties have also agreed that, in the event JEB ceases trading at and fully closes down any of the Target Stores following Completion, an amount equivalent to the value of the stocks relating to that store transferred to it on Completion will (subject to the provisions of the 2006 Act) promptly be used by the Company to redeem an equivalent principal amount of the Preference Shares. In addition, the Company will be required to ensure that no interim or final dividends are paid to Shareholders or otherwise declared by it, in any particular year, prior to JEB having made all repayments of the Term Loan then due and payable pursuant to the Term Loan Agreement and the Company having effected, as of the date any such dividend is declared or paid, all redemptions of the Preference Shares then required to have been made under the New Articles. The Company has also undertaken to ensure, to the extent within its power or under its control, that its distributable reserves are no less than the nominal value of the Preference Shares in issue from time to time.

2. Term Loan Agreement

Under the terms of the Term Loan Agreement, a loan facility of £2.5 million will become available to JEB and be fully drawn down by it on Completion. JEB will be 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 Term Loan will be repayable over a period of five years in instalments of £250,000 made at six monthly intervals commencing on 31 October 2011. JEB 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 JEB makes any such prepayment, its obligation 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 per cent. per annum over the applicable LIBOR rate increasing to 6 per cent. per annum over LIBOR in the event of a default that is not remedied within 12 months.

Beale and JEB each give certain representations and warranties to ARCS customary for a loan agreement of this nature.

While the Term Loan will be unsecured:

- Beale must provide ARCS with (i) copies of its audited consolidated financial statements and JEB's audited financial statements as soon as they are available and in any event within 120 days after the end of each financial year; (ii) a copy of each document and all information sent at any time by Beale or JEB to its respective shareholders or creditors generally at the time of despatch; and (iii) details of any litigation, arbitration or administrative proceedings current, threatened or pending against any member of the Group which, if adversely determined, would be likely in the reasonable opinion of ARCS to have a material adverse effect on the Enlarged Group's business, operations, property, condition (financial or otherwise) or prospects taken as a whole or on the ability of JEB to satisfy its payment obligations under the Term Loan Agreement;
- Beale and JEB must ensure that no member of the Group will create or allow any security other than as permitted under the Term Loan Agreement; and
- Beale and JEB must ensure that each member of the Group will (where there are amounts due and payable but unpaid under the Term Loan Agreement) observe restrictions on the declaration, making or payment of any dividend or other distribution on or in respect of its share capital or reserves and the redemption or repurchase of any of its share capital.

The outstanding principal amount of the Term Loan together with all interest and other amounts owing thereunder will become immediately repayable in full in the event of (i) a change in control of Beale or JEB or (ii) a sale of all or substantially all of the assets of Beale and JEB.

The Term Loan Agreement also contains certain customary (but reasonably limited) events of default which, while they are continuing, will allow ARCS to immediately cancel the Term Loan and require immediate repayment, namely:

- failure by JEB to pay any amount within twelve months of its due date;
- failure by Beale or JEB to comply with any other material term of the Term Loan Agreement where such failure is not remedied within twelve months of their first becoming aware of it;
- any representation or warranty made or deemed to be made by Beale or JEB being or proving to have been incorrect or misleading in any material respect when made (or deemed to be made) and where the circumstances giving rise to the incorrect or misleading representation or warranty are not remedied within twelve months of JEB or the Company becoming aware of those circumstances;
- in respect of any member of the Group's other borrowings with HSBC (or any facilities refinancing the same from time to time) (i) any amount becoming due and payable prior to its specified maturity date as a result of an event of default or (ii) any such facility or commitment being cancelled or suspended by the relevant creditor as a result of an event of default;
- any person taking any step in connection with the enforcement of any security held over the assets of any member of the Group except where the security relates to debt not exceeding £1,500,000 or where ARCS is satisfied (acting reasonably) that the enforcement is being or will be defended in good faith; or

- a member of the Group becoming insolvent or the subject of certain insolvency related proceedings.

JEB will not (save as permitted by the Acquisition Agreement) be permitted to exercise any right of set-off or counterclaim it might have in respect of any payment due to ARCS under the Term Loan Agreement. ARCS may, at any time, set off any obligation owed by it to JEB (whether or not matured at such time) against any matured obligation owed to it by JEB under the Term Loan Agreement.

Neither JEB nor ARCS may (except with the prior written consent of the other) assign, novate or otherwise deal with any of its rights, interests or obligations under the Term Loan Agreement.

3. IT Services Agreement

Under the terms of the IT Services Agreement, ARCS will agree to provide JEB with certain information, communications and technology services for a period of up to four years following Completion.

The obligations to be undertaken by ARCS to JEB (together the “**Services**”) will include the provision of:

- services in relation to data interfaces;
- EPoS maintenance (both hardware and software);
- credit and debit card processing;
- an IT infrastructure which will enable the Beale store card to be accepted and staff discounts applied;
- a file transfer protocol data exchange server;
- a managed EPoS Multiprotocol Label Switching network; and
- additional EPoS power, data and tills as required by JEB,

together with the provision by ARCS of specified IT systems associated with its performance of the Services (the “**IT Systems**”).

ARCS will provide the Services and the IT Systems to JEB on a non-exclusive basis and will be entitled to supply similar services to any third party. ARCS will be required to undertake the Services with reasonable skill and care and in accordance with all generally acceptable standards and practices applicable to the Services and to use its reasonable endeavours to do so in accordance with the target service levels agreed between the parties.

While ARCS will be responsible for the maintenance and management of the IT Systems provided, it will not be responsible for the adequacy of those systems (save insofar as warranting that they are adequate to operate the Business as at Completion) nor be under any obligation to replace, enhance or in any way improve any of the IT Systems at any time or to implement any systems, processes or plans developed or acquired by ARCS following Completion (save insofar as the same require to be implemented to comply with applicable law or at the request of a third party used to provide any part of the Services or following agreement between the parties under a change control procedure).

JEB will remain responsible for the maintenance, management and adequacy of its own IT infrastructure and will also be responsible for securing and/or creating any interfaces required between its own IT systems and the IT Systems.

JEB will receive the Services at nominal cost and will only be required to reimburse ARCS for:

- the cost of any equipment and/or hardware supplied by ARCS that completely fails and cannot be repaired (JEB’s prior approval must be sought by ARCS where any single item of equipment has a replacement cost of over £1,000);
- the costs of delivery and installation of any equipment required in order for ARCS to provide the Services (currently set for switches and routers at between £0 and £150 per delivery depending on the distance of the Target Store from Peterborough);

- the cost of consumables (paper rolls, print ribbons, ink rollers, logos, print labels and heads, batteries, keyboards, computer mice and cash drawers) save to the extent these are purchased as part of the miscellaneous operational stock of the Business under the Acquisition Agreement; and
- ARCS' full costs incurred in attending a call out that is unnecessary or false and any wasted time costs incurred by it.

ARCS will be permitted to increase the amounts it charges to JEB if JEB changes its instructions or fails to give instructions to ARCS in relation to the Services or if ARCS incurs any costs as a result of complying with any applicable law or following agreement between the parties under the change control procedure. If ARCS' costs associated with providing the Services increase as a result of any increase in the costs levied by a third party used to provide any part of the Services, ARCS will only be able to pass such increase on to JEB where it has agreed to accept such additional costs. If JEB fails to pay ARCS any amount owing by it, ARCS will be entitled to claim interest on the sums owed and/or (after having given JEB notice of the outstanding amount and a period of not less than 10 business days to make payment) suspend performance of the Services.

ARCS will be entitled to sub-contract provision of any of the Services and JEB will be obliged to adhere to any terms and conditions imposed by any sub-contractor.

To enable effective operation of the IT Services Agreement, JEB is under an obligation (amongst other things):

- not to materially alter the manner in which sales transactions are carried out within the Business during the term of the agreement; and
- to provide ARCS with access to the Target Stores for the purposes of its provision of the Services.

Both ARCS and JEB agree to use reasonable endeavours throughout the duration of the agreement to meet their respective obligations in order to facilitate the separation of their IT systems before the date falling four years from Completion.

ARCS' liability under the IT Services Agreement will be capped in any event at £50,000. The IT Services Agreement will however contain restrictions on JEB's ability to recoup from ARCS (among others) any of the following types of losses:

- pure economic loss, loss of profits or revenue, loss of contract, loss or depletion of goodwill and/or business opportunity and loss of anticipated earnings or savings;
- loss or damage arising out of any failure by JEB to keep full and up to date security copies of any computer program and data held or used by or on behalf of it; or
- any special, indirect or consequential losses.

JEB's liability under the IT Services Agreement will also be capped at £50,000.

All equipment supplied in relation to the Services and the IT Systems will remain the property of ARCS save insofar as JEB pays it for replacements of irreparable equipment. JEB will also be required to keep ARCS indemnified against all costs, losses, damages and liabilities that ARCS incurs or suffers as a result of any loss of or damage to any such equipment during the period of the IT Services Agreement.

A number of restrictions will be imposed on JEB, including:

- all software provided in relation to the Services may only be used with the IT Systems;
- JEB will not be permitted to assign, sub-licence, charge or otherwise dispose of or grant rights over or out of the licences for the software; and
- JEB must not copy or reproduce any software provided by ARCS.

If JEB breaches any of these restrictions, ARCS will be entitled to charge it an amount equal to that it would have charged to grant a licence/allow the unauthorised activity from the start of the period of unauthorised use plus interest.

Either party may request a variation to the IT Services Agreement and Services and ARCS will be permitted to modify the agreement as necessary to comply with obligations owed by it to third party suppliers but will be required to use reasonable endeavours to ensure that such modifications do not result in any deterioration in the Services or the IT Systems.

Either party will be able to terminate the IT Services Agreement and the provision by ARCS of the Services will cease with immediate effect if:

- the other party commits a material breach (and does not remedy the same within 90 calendar days);
- an insolvency event occurs or a liquidator or administrator is appointed over the assets of the other party;
- there is a distraint, execution or other process levied or enforced on the other party's property; or
- the other party is likely to or threatens to cease trading.

ARCS will also be entitled to terminate the IT Services Agreement (in whole or in part) if a third party supplier upon which ARCS is dependant in performing its obligations under the agreement terminates its agreement with ARCS but cannot exercise its right of termination in these circumstances prior to it having used reasonable endeavours to implement alternative arrangements to provide the Services for the remainder of the duration of the term of the IT Services Agreement.

In the event of any termination or expiry of the IT Services Agreement, ARCS will be required to indemnify JEB in respect of any employment liabilities relating to or which arise from the period prior to the termination or expiry of the IT Services Agreement, which are imposed on it by reason of the operation of the transfer of undertakings legislation, save to the extent such liability arises from any breach or default by JEB. ARCS will also be required to indemnify JEB against any redundancy costs arising within 12 months of the termination or expiry date.

On any termination of the IT Services Agreement, JEB will be restricted for a period of 12 months from soliciting the services of any employees of ARCS who provided the Services.

In the event of a dispute under the IT Services Agreement, a set escalation procedure must generally be followed before either party can commence proceedings in court.

4. NED Agreement

Under the terms of the NED Agreement ARCS will, for so long as either it or an associated company is the holder of issued Preference Shares having a nominal value of at least £4.25 million and/or any part of the Term Loan remains unpaid by JEB, have the right, after the date falling three months from Completion, to appoint one non-executive director (the “**ARCS Director**”) to each of the Board and the board of directors of JEB, to remove from office any person so appointed and to appoint another person in his place.

Any person appointed as the ARCS Director must be the individual who then holds office as the most senior executive of ARCS.

The appointment of each ARCS Director will be subject to the provisions of the New Articles provided that (to the extent appointed) the ARCS Director will not be subject to the obligations relating to retirement by rotation or re-election set out therein. Each ARCS Director will also, *inter alia*, be a member of the Nomination Committee.

Neither ARCS nor the ARCS Director will be entitled to receive any fee for the services to be provided under the terms of the NED Agreement or to participate in the Beale pension scheme, medical benefit schemes or any of its employee share schemes.

The ARCS Director will be subject to strict obligations of confidentiality in relation to his use or disclosure (including, but without limitation, to ARCS or any associated company) of any trade or other confidential information concerning the business or affairs of the Enlarged Group.

The appointment of the ARCS Director under the terms of the NED Agreement is terminable:

- by ARCS on the giving of 3 months' prior written notice;
- immediately by the Company in the event of a material breach by the ARCS Director of the terms of the NED Agreement or when ARCS ceases to have the right to make such an appointment; or
- automatically if the ARCS Director resigns on notice; is removed as a director of the Company by resolution passed at a general meeting or is disqualified by law from acting or is declared bankrupt, enters into a voluntary arrangement with his creditors or otherwise becomes unable to meet his debts and liabilities as and when they fall due.

On any termination of his appointment, the ARCS Director will not be entitled to receive any compensation for loss of office and will only be entitled to receive reimbursement of any expenses reasonably and properly incurred before that date.

PART X

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors (whose names appear on page 21 of this document) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and registered office

- 2.1. The Company was incorporated and registered in England and Wales (where it is domiciled) on 12 October 1992 with registered number 02755125 under the 1985 Act as a public limited company having the name Beale plc. On 18 January 1993, it changed its name to JEB plc. On 28 May 1993, the Registrar of Companies issued the Company with a certificate to commence business and borrow money pursuant to section 117 of the 1985 Act. Beale became the holding company for the Group on 21 May 1993. On 3 March 1995, it changed its name back to Beale plc. The principal legislation under which the Company now operates, and under which the Ordinary Shares are issued and the Preference Shares will be created, is the 2006 Act and regulations made thereunder.
- 2.2. The registered office and principal place of business of the Company is at The Granville Chambers, 21 Richmond Hill, Bournemouth, Dorset BH2 6BJ (telephone number +44 (0)1202 552 022).
- 2.3. On 13 March 1995, the Ordinary Shares were admitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities.

3. Share capital

- 3.1. The issued ordinary share capital of the Company (i) as at 19 April 2011, being the latest practicable date prior to the date of publication of this document; and (ii) as it is expected to be immediately following Readmission and the proposed issue of the Preference Shares, is as follows:

	<i>As at the date of this document</i>		<i>Following Readmission</i>	
	<i>Number</i>	<i>Amount (£)</i>	<i>Number</i>	<i>Amount (£)</i>
Ordinary Shares	20,524,797	1,026,239.80	20,524,797	1,026,239.80
Preference shares	—	—	8,500,000	8,500,000

- 3.2. Subject to the passing of the appropriate Resolutions at the Extraordinary General Meeting and Completion, 8,500,000 Preference Shares will, in accordance with the terms of the Acquisition Agreement and subject to the New Articles, be issued at a price of £1.00 per Preference Share. However, Ordinary Shareholders will not suffer any dilution to their voting interests in the Company as a result of the issue of the Preference Shares, save to the extent (if any) that the Preference Shares are converted into Ordinary Shares in accordance with the terms of their issue.
- 3.3. As at 30 October 2010, being the date of the most recent balance sheet included in the historical financial information on the Group incorporated by reference pursuant to Part XI of this document, the issued share capital of the Company comprised 20,524,797 Ordinary Shares (all of which were fully paid either in cash or for other consideration).
- 3.4. No share capital of the Company or any of its subsidiaries is presently under option or agreed conditionally or unconditionally to be put under option.

4. History and further details of share capital

- 4.1. Since 5 September 2007 (being the date of commencement of the period covered by the financial information on the Group contained in this document) there have been no changes in the issued share capital of the Company and, other than in connection with the issue of the Preference Shares to ARCS or the issue of such Ordinary Shares (if any) as may arise on their conversion or on any exercise of awards made under the Performance Share Plan, no such issues are proposed.
- 4.2. At the Annual General Meeting of the Company held on 17 March 2011, the following resolutions were duly passed:
- (a) the Directors were generally and unconditionally authorised for the purposes of section 551 of the 2006 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 amount being equal to the value of one third of the Company's current issued share capital provided that this authority, unless previously renewed, extended, varied or revoked by the Company in general meeting, will expire on the earlier of the date falling 15 months after the passing of the resolution and the conclusion of the annual general meeting of the Company to be held in 2012 and that the Company may, before such expiry, 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 thereby; and
 - (b) subject to and conditional upon the passing of the previous resolution, the Directors were empowered pursuant to section 570 of the 2006 Act to allot equity securities for cash as if section 561(1) of the 2006 Act did not apply to any such allotment provided that:
 - (i) this power will expire on the earlier of the date falling 15 months after the passing of such resolution and the conclusion of the annual general meeting of the Company to be held in 2012 unless previously renewed, extended, varied or revoked by the Company in general meeting;
 - (ii) 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 had not expired; and
 - (iii) such authority was limited to:
 - (a) 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
 - (b) the allotment of equity securities up to an aggregate nominal amount of £51,312 (such amount being equal to 5 per cent. of the Company's current issued share capital) for cash otherwise than pursuant to paragraph (iii)(a) above.
- 4.3. At the EGM, the resolutions set out in the Notice of Extraordinary General Meeting will be proposed.
- 4.4. Following Completion, the Preference Shares will have a nominal value of £1.00 each and will rank ahead of the Ordinary Shares for the payment of dividends. Following the issue of the Preference Shares, the Company will continue to have one class of ordinary shares. Details of the principal rights attached to the Ordinary Shares are set out in the summary of the New Articles contained in paragraph 5 of this Part X.

- 4.5. Set out below is a summary of the principal rights which will attach to the Preference Shares, *inter alia*, in relation to attendance and voting at general meetings, entitlements on a winding-up of the Company and transferability:

(a) ***Voting rights in respect of Preference Shares***

While the holders of the Preference Shares from time to time will be permitted to attend general meetings of the Company, the Preference Shares will not carry any rights to vote thereat 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.

(b) ***Transfer of shares***

After the third anniversary of Completion (but not, save for transfers intra-group, before that date), the Preference Shares will be freely transferable to a maximum of five transferees in multiples of at least £500,000. ARCS is obliged to notify the Company prior to making any such proposed transfer.

(c) ***Dividends and distributions on liquidation to holders of Preference Shares***

No dividend will accrue on the Preference Shares for a period of five years from their date of issue. Thereafter, without resolution of the Board or the Company in general meeting and before application of any profits to reserve or for any other purpose, a preferential dividend of 8 per cent. per annum will initially be payable on each of the Preference Shares for a period of 48 months, increasing to 9 per cent. per annum (excluding, in each case, the amount of any associated tax credit) thereafter. These dividends will be cumulative, accrue on a daily basis and will be payable half yearly in arrears in two equal instalments on 30 November and 31 May (or, in either case, if not a business day, on the next business day) (the “**fixed dividend date**”) in each relevant financial year.

The first Preference Share dividend will be payable on 30 November 2016 in respect of the period commencing on the fifth anniversary of their date of issue and ending on that date.

If the Company fails to redeem any part of the Preference Shares on their due date or fails to make any dividend payment when due, the preference dividend will, with effect from the date falling 12 months thereafter until the date of payment, increase by 4 per cent. per annum (excluding the amount of any associated tax credit).

On a return of capital on a winding up of the Company or otherwise (other than on conversion, redemption or purchase of shares), the surplus assets of the Company available for distribution among the members will be applied first, to the repayment of capital paid up on the Preference Shares together with any arrears or accruals (if any) of dividend calculated down to and including the date of commencement of the winding up and secondly, to the repayment of the capital paid up or credited as paid up on the Ordinary Shares with any surplus assets being divided amongst the holders of the Ordinary Shares in proportion to the number of shares held by them.

(d) ***Redemption***

Subject to the 2006 Act, the Company may redeem any of the Preference Shares at any time but will be 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 or as soon thereafter as the Company is permitted to do so in accordance with the 2006 Act. The redemption price payable

will be the nominal amount paid up on the Preference Shares together with any accrued and unpaid dividend due at the redemption date.

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.

(e) ***Conversion***

Each holder of Preference Shares will be entitled to convert any of its Preference Shares into fully paid Ordinary Shares in the event that:

- (i) whilst any such share remains in issue, either a resolution for voluntary winding up of the Company is passed or a winding-up order is made by the Court in relation to the Company; or
- (ii) the Company fails on the due date to redeem any of the Preference Shares then in issue or to make any dividend payment.

The number of Ordinary Shares to be issued on any exercise of this conversion right will be calculated by taking the nominal value of the Preference Shares the subject of the proposed conversion together (if required) with any arrears or accruals of dividend and calculating the number of Ordinary Shares which such amount would in total be capable of purchasing at a price established:

- (a) if the Ordinary Shares are then listed on the Official List or traded on AIM, by reference to the average of the closing middle market quotations therefor (as derived from the Daily Official List or the AIM Appendix thereto) over the 10 dealing days prior to the conversion date; or
- (b) if the Ordinary Shares are not then listed on the Official List or traded on AIM, by reference to the average of the closing middle market quotations therefor over the 10 dealing days immediately prior to de-listing,

provided always that any such exercise by a holder of Preference Shares of its conversion rights may not, in any circumstances, result in the allotment and issue to it (and any other holder(s) of Preference Shares) of more than 9.99 per cent. in aggregate of the issued ordinary share capital of the Company.

Ordinary Shares arising on conversion will be issued credited as fully paid and rank *pari passu* in all respects and form one class with the Ordinary Shares then in issue and rank for an appropriate proportion of any dividends declared on the Ordinary Shares in respect of the financial year in which they are converted. Dividends on Preference Shares which are converted will cease to accrue on the fixed dividend date last preceding the relevant conversion date. In circumstances where the conversion of Preference Shares would otherwise result in a reduction of share capital, a class of valueless non-voting deferred shares would be created by the Company and issued to the relevant holder(s).

(f) ***Ranking and negative controls***

The Preference Shares will rank in priority to the Ordinary Shares in respect of both income and capital. No further issues of securities which will rank equally with or in priority to the Preference Shares may be made by the Company while they remain in issue. The consent of the holders of the Preference Shares will also be needed by the Company to the extent that it proposes to:

- (i) reduce or repay all or any part of the share capital of the Company (other than a repayment in the course of a winding up), including the purchase by the Company of any of its own shares;

- (ii) capitalise any undistributed profits or any sums standing to the credit of the share premium account or capital redemption reserve fund;
 - (iii) take any steps (other than as required by law or in relation to a solvent liquidation or reorganisation) to wind up the Company or any other non-dormant member of the Beale Group;
 - (iv) dispose of the whole or substantially the whole of the business of the Company or any non-dormant member of the Beale Group or any of the shares in any such company;
 - (v) declare, make or pay any dividend or other distribution to the holders of shares other than as expressly permitted under the New Articles;
 - (vi) pay or propose any scrip dividend; or
 - (vii) de-list the Company from a recognised exchange.
- (g) ***Listing***
- The Preference Shares will not be listed on the Official List nor be capable of being dealt in on any stock exchange in the United Kingdom or elsewhere and no application for any public listing or quotation of the Preference Shares will be made.

4.6. As at 19 April 2011, being the last business day prior to the date of publication of this document, no Ordinary Shares were held by the Company as treasury shares.

5. The Articles of Association of the Company

Summary of the New Articles and the Existing Articles

- 5.1. The Existing Articles provide that the Company's principal objects are to carry out the functions of a holding company of a retail group and of a group holding company (whether or not the Company is at the same time carrying out any other business), to control, finance and manage, and to provide managerial, secretarial, accounting, legal, insurance, administrative, technical, financial, commercial or any other services or facilities for or otherwise to assist any company or companies in which the Company may be interested, to make or enter into any arrangements which may seem desirable in respect of any such company or companies and to enter into any transaction or arrangement calculated to benefit any such company or companies which would have been authorised if calculated to benefit the Company. For the reasons noted in paragraph 5.4(a) of this Part X below the New Articles need no longer contain this provision and, accordingly, will not do so.
- 5.2. The Existing Articles are now, in certain respects, outdated. During the last few years various sections of the 2006 Act which affect the constitutional documents of UK listed public companies have been brought into force. Further changes in company law have been introduced by the Shareholder Rights Directive in the UK in August 2009 and certain amendments to the CREST Regulations in October 2009. Provision also needs to be made for the rights attaching to the Preference Shares to be issued to ARCS. Given the number of amendments required to be made, the Directors consider it prudent to seek Shareholder approval to the adoption of the New Articles in their entirety.
- 5.3. Following the passing of the Resolutions, the New Articles will contain and, prior thereto and except where expressly indicated to the contrary, the Existing Articles also contain (or already have implied into them) provisions, *inter alia*, to the following effect. A summary of the rights attaching to the Preference Shares to be issued to ARCS is provided in paragraph 4.5 of this Part X above. Both the New Articles and the Existing Articles are available for inspection, as noted in paragraph 22 below:

(a) *Voting rights in respect of Ordinary Shares*

- (i) Subject to any rights or restrictions for the time being attached to any class or classes of shares and to any other provisions of the New Articles or the 2006 Act, on a show of hands every member present in person, and each person present as a duly appointed proxy of a member, shall have one vote, and on a poll every member present in person or by proxy shall have one vote for each share held by him.
- (ii) In the case of joint holders of a share, the vote of the senior holder who votes, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names of the holders stand in the register of members in respect of the share.
- (iii) Unless the Board otherwise determines, no member shall be entitled to be present and vote at a general meeting or at any separate meeting of the holders of any class of shares either in person or (save as proxy for another member) by proxy, or be reckoned in a quorum, or to exercise any other right or privilege as a member in respect of a share held by him unless and until he has paid all calls for the time being due and payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) to the Company.

(b) *Restrictions on Ordinary Shares*

If any member, or any other person appearing to the directors to be interested in any shares in the capital of the Company held by such member, has been duly served with a notice under section 793 of the 2006 Act and is in default for a period of 14 days from the date of service of the notice under that section in supplying to the Company the information thereby required, then the Company may (at the absolute discretion of its directors) at any time thereafter by notice (a “**restriction notice**”) to such member direct that, in respect of the shares in relation to which the default occurred and any other shares held at the date of the restriction notice by the member, or such of them as the directors may determine from time to time (the “**restricted shares**” which expression includes any further shares which are issued in respect of any restricted shares), the member shall not, nor shall any transferee to which any of such shares are transferred other than pursuant to a permitted transfer or pursuant to the relevant provision of the New Articles, be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company or separate meeting of the holders of any class of shares of the Company, or to be reckoned in a quorum.

Where the restricted shares represent at least 0.25 per cent. in nominal value of the issued shares of the Company of the same class, the restriction notice may in addition direct, *inter alia*, that any dividend or other money which would otherwise be payable on the restricted shares shall be retained by the Company without liability to pay interest; where the Company has offered the right to elect to receive shares instead of cash in respect of any dividends any election by such member of such restricted shares will not be effective; and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member’s holding and is accompanied by a certificate given by the member in a form satisfactory to the directors to the effect that, after due and careful enquiry, the member is satisfied that none of the shares which are the subject of the transfer are restricted shares.

(c) *Variation of class rights*

The rights for the time being attached to any share or class of shares in the Company (whether or not the Company may be or is about to be wound up) may from time to time be varied or abrogated in accordance with the provisions set out in the 2006 Act. The Board may convene a meeting of the holders of any class of shares whenever it thinks fit and whether or not the business to be transacted involves a variation or abrogation of class rights. Subject to the terms of issue of, or the rights attached to, any shares, the rights or privileges attached to any class of

shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of its own shares or the sale of any shares held as treasury shares in accordance with the provisions of the 2006 Act and the New Articles.

(d) *Alteration of capital*

Subject to the provisions of the 2006 Act and any provisions contained in the New Articles from time to time, in particular in relation to the Preference Shares:

- (i) the Company may by ordinary resolution increase its share capital, consolidate all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person;
- (ii) the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve in any way;
- (iii) all unissued shares of the Company are at the disposal of the directors;
- (iv) any shares may be issued on terms that they are redeemed or liable to be redeemed at the option of the Company or the Shareholders on the terms and in the manner provided for by the New Articles; and
- (v) the Company may purchase its own shares (including any redeemable shares).

(e) *Transfer of shares*

- (i) Subject to paragraph 5.3(e)(ii) below, the instrument of transfer of a certificated share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers of certificated shares shall be effected by instrument in writing in any usual or common form or any other form which the directors may approve. The directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated) provided that, where such shares are admitted to the Official List or admitted to AIM, such discretion may not be exercised in a way which the FSA or London Stock Exchange (as appropriate) regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated) in favour of more than four persons jointly. In relation to certificated shares, the directors may decline to recognise any instrument of transfer unless it is delivered to the registered office of the Company or such other place as the directors may determine, accompanied by the relevant certificate and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and unless the instrument is in respect of only one class of share.
- (ii) Notwithstanding any other provision of the New Articles to the contrary, unless otherwise determined by the directors, any Ordinary Shares may be held in uncertificated form and title to such shares may be transferred by means of a relevant system (in each case as defined in the CREST Regulations).

(f) *General meetings*

- (i) Subject to the provisions of the 2006 Act, annual general meetings shall be held at such time and place as the Board may determine. Whereas the Existing Articles require that all general meetings other than the annual general meeting must be called extraordinary general meetings, henceforth (under the New Articles) they shall be called general meetings.
- (ii) A general meeting must also be convened on a members' requisition, or in default may be convened by the requisitionists themselves, as provided by sections 303 to 305 of the 2006 Act. At any meeting convened on a members' requisition or by the requisitionists, no business shall be transacted except that stated by the requisition or proposed by the Board.
- (iii) If there are within the United Kingdom insufficient members of the Board to convene a general meeting, any director may call the meeting.
- (iv) The Existing Articles specify that an annual general meeting shall be called by not less than 21 clear days' notice and that a meeting of the Company other than an annual general meeting may be called by not less than 14 clear days' notice. The provisions in the Existing Articles dealing with the length of notice required to convene general meetings are being amended in the New Articles to conform to the provisions in the 2006 Act. The Companies (Shareholders' Rights) Regulations 2009 (the "**2009 Regulations**") further amended the 2006 Act to require the Company to give 21 clear days' notice of all general meetings unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on at least 21 clear days' notice and the Governance Code requires that the notice period be at least 20 business days. The New Articles amend the provisions of the Existing Articles so as to make them consistent with the new requirements. The New Articles no longer draw a distinction between ordinary and special business at general meetings.
- (v) Any notice of general meeting shall specify the place, the day and time of the meeting. A notice calling an annual general meeting shall specify the meeting as such and a notice convening a meeting to pass a special resolution must specify the intention to propose the resolution as such and include the text of the resolution. The notice must also specify with reasonable prominence the rights of proxies.
- (vi) The accidental failure to give notice of a meeting, or of a resolution to be moved at a meeting, or to issue an invitation to appoint a proxy with a notice where required by the New Articles to any person entitled to receive notice, or the non-receipt of notice of a meeting or of such resolution or of an invitation to appoint a proxy by any such person, shall not invalidate the proceedings at that meeting.
- (vii) All Shareholders present in person or by duly appointed corporate representative and their duly appointed proxy or proxies shall be entitled to attend all general meetings of the Company.
- (viii) No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Save as otherwise provided in the New Articles, two persons entitled to attend and vote on the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

(g) *Directors*

- (i) Unless and until otherwise determined by the Company by ordinary resolution, the number of directors (other than any alternate directors) shall not be subject to any maximum but shall be not less than two.
- (ii) In addition to the provisions detailed in paragraph 5.4(x) below, any director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, shall be entitled to receive such reasonable additional remuneration (whether by way of salary, percentage of profits or otherwise) as the directors may determine. Each director may be paid his reasonable travelling, hotel and other expenses incurred in attending and returning from meetings of the directors or any committee of the directors or of the Company or of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company. The New Articles do not permit a director to vote on, or be counted in the quorum in relation to, any resolution of the Board concerning his own appointment.
- (iii) Subject to the provisions of the 2006 Act, there shall be no age limit for directors.
- (iv) Each director shall have the power at any time to appoint as an alternate director either (a) another director or (b) any other person approved for that purpose by a resolution of the directors and, at any time, to terminate such appointment.
- (v) Each director of the Company must retire from office at the third annual general meeting after the annual general meeting at which he was last elected. A retiring director will be eligible for re-election.
- (vi) The directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities or other retirement, superannuation, death or disability allowances or benefits to, *inter alia*, any directors, ex-directors, employees or ex-employees of the Company or of any subsidiary undertaking or parent undertaking of the Company and for any member of his family (including spouses or former spouses) and any dependants of any such person and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds for the benefit of any such persons.

(h) *Borrowing powers*

- (i) The directors of the Company may, subject as provided by the New Articles and the 2006 Act, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets and uncalled capital and to create and issue debentures, loan stock and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- (ii) The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary companies (if any) so as to secure (so far, as regards subsidiary companies, as by such exercise they can secure) that the aggregate of the amounts borrowed by the Group (which expression in the relevant article means the Company and its subsidiary companies for the time being) and remaining outstanding at any time (excluding intra-group borrowings) shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to three times the aggregate of (a) the amount of the share capital of the Company issued and paid up or credited as paid up; and (b) the amounts shown as standing to the credit of its consolidated capital and revenue reserves, including share premium account, capital redemption reserve, revaluation reserve and credit balance on the combined profit and loss account (but deducting therefrom the amount, if any, standing to the debit of the profit and loss account and amounts set aside

for taxation and attributable to any outside shareholders in subsidiaries of the Company, all as shown in the latest audited and consolidated balance sheet of the Group but after such adjustments and deductions as are specified in the relevant provision of the New Articles.

(i) *Dividends and distributions on liquidation to Shareholders*

- (i) The Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the directors. Subject to the 2006 Act and the rights attached to the Preference Shares, all dividends shall be declared and paid according to the amounts paid up on those shares having an entitlement to receive dividends and apportioned and paid proportionately to the amounts paid up on such shares during any portion of the period in respect of which the dividend is paid.
- (ii) Subject to the provisions of the 2006 Act and the rights attached to the Preference Shares, the directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company half yearly or otherwise on fixed dates.
- (iii) The directors may, with the sanction of an ordinary resolution of the Company in general meeting and subject to obtaining consent from the holder(s) of the Preference Shares, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of the whole or part of any dividend.
- (iv) All dividends unclaimed for a period of 12 years or more after becoming due for payment shall be forfeited and shall revert to the Company.

Summary of the further principal differences between the New Articles and the Existing Articles

5.4. Set out below is a summary of the further main differences between the Existing Articles and the New Articles. This summary has been prepared in order to assist Shareholders and prospective investors in understanding the rationale for and substance of the proposed amendments. Other changes which are of a minor, technical or clarifying nature or which bring clearer language into the New Articles or update various statutory references have not been noted.

(a) *The Company's objects*

The provisions regulating the operations of the Company are currently set out in the Company's memorandum of association and the Existing Articles. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The 2006 Act significantly reduces the constitutional significance of a company's memorandum and provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in a company. Under the 2006 Act, the objects clause and all other provisions which are contained in a company's memorandum are now deemed to be contained in the company's articles of association but the Company can remove these provisions by special resolution.

Further, the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are now treated as forming part of the Company's articles of association.

Resolution 5(a) set out in the Notice of Extraordinary General Meeting seeks to achieve the removal of these provisions for the Company. As the effect of this Resolution will be to remove the statement currently in the Company's memorandum of association regarding limited

liability, the New Articles also contain an express statement regarding the limited liability of Shareholders.

(b) *Change of name*

Under the 1985 Act, a company could only change its name by special resolution. Under the 2006 Act, a company may change its name by other means provided for by its articles. To take advantage of this provision, the New Articles will enable the directors of the Company to pass a resolution to change the Company's name.

(c) *Authorised share capital and unissued shares*

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

Under the 1985 Act, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. Other than in respect of the Preference Shares, the Company has no plans to issue redeemable shares but if it did so, the Company's directors would need Shareholder authority to issue new shares in the usual way.

(d) *Variation of rights*

The Existing Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the 2006 Act. The relevant provisions have not, therefore, been included in the New Articles.

(e) *Form of resolution*

The Existing Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is not included in the New Articles as the concept of extraordinary resolutions has not been retained under the 2006 Act.

(f) *Authority to purchase own shares, consolidate and sub-divide shares and reduce share capital*

Under the 1985 Act, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as Shareholder authority to undertake the relevant action. Under the 2006 Act, a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have not been included in the New Articles.

(g) *Provision for employees on cessation of business*

The 2006 Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors of the Company may exercise this power.

(h) *Distribution of assets on a winding-up*

The Existing Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have not been incorporated in the New Articles on the grounds that a provision concerning the powers of liquidators is a matter for insolvency law rather than the articles and because the Insolvency Act 1986 confers powers on the liquidator which would enable it in any event to do what is envisaged by the Existing Articles.

(i) *Use of seals*

Under the 1985 Act, a company required authority in its articles to have an official seal for use abroad. Under the 2006 Act, such authority is no longer required. Accordingly, the relevant authorisation does not appear in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

(j) *CREST*

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The New Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form. The New Articles contain other provisions in respect of transactions with Ordinary Shares in uncertificated form and generally provide for the modification of certain provisions of the Existing Articles so that they can be applied to transactions involving shares held in this way.

(k) *Suspension of registration of share transfers*

The Existing Articles permit the directors of the Company to suspend the registration of transfers. Under the 2006 Act, share transfers must be registered as soon as practicable. The power in the Existing Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has not been included in the New Articles.

(l) *Company's lien*

The New Articles will provide the Company with a first and paramount lien on every share which is not fully paid for all amounts payable to it, whether or not in respect of that share.

(m) *Records to be kept*

The provision in the Existing Articles requiring the Board to keep accounting records has not been included in the New Articles as this requirement is contained in the 2006 Act.

(n) *Vacation of office by directors*

The Existing Articles specify the circumstances in which a director of the Company must vacate office. The New Articles update these provisions to treat physical illness in the same manner as mental illness.

(o) *General meetings*

Each director of the Company shall, notwithstanding that he is not a member, continue to be entitled to attend and speak at any general meeting. In addition, the New Articles give power to the Chairman of any general meeting to invite any person to attend and speak at that meeting if he considers that this will assist in the deliberations of the meeting.

Under the New Articles, the Board may also direct that any person wishing to attend any meeting should provide such evidence of identity and submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and the Board shall be entitled in its absolute discretion to refuse entry to any person who fails to provide such evidence of identity or submit to such searches or otherwise comply with such security arrangements or restrictions.

The Chairman will also be permitted to take such action or give such directions as he thinks fit to promote the orderly conduct of business as laid down in the notice of the meeting. The Chairman's decision on matters of procedure will be final.

(p) *Voting by proxies on a show of hands*

The 2009 Regulations also amended the 2006 Act so that it now provides that each proxy appointed by a member may attend and speak at general meetings and have one vote on a show of hands (whereas under the Existing Articles, proxies are only entitled to vote on a poll) unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles reflect these changes.

(q) *Voting by corporate representatives*

The 2009 Regulations further amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

(r) *Electronic conduct of meetings and web communications*

Amendments made to the 2006 Act by the 2009 Regulations also specifically provide for the holding and conducting of electronic meetings. The New Articles reflect the relevant provisions.

Provisions of the 2006 Act which came into force in January 2007 also enable companies to communicate with members by electronic and/or website communications. The New Articles allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of new provisions relating to website communications.

Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that it may send or supply documents or information to him by means of a website and the Company must either have received a positive response or have received no response within a period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

(s) *Chairman's casting vote*

The New Articles remove the provision giving the Chairman a casting vote at general meetings in the event of an equality of votes as this is no longer permitted under the 2006 Act.

(t) *Adjournments for lack of quorum*

Under the 2006 Act, as amended by the 2009 Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles reflect this requirement.

(u) *Voting record date*

Under the 2006 Act as amended by the 2009 Regulations, the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of weekends and bank holidays. The New Articles reflect this requirement.

(v) *Non-United Kingdom shareholders*

There are no limitations in the Existing Articles or the New Articles on the rights of non-United Kingdom Shareholders to hold, or to exercise voting rights attached to, Ordinary Shares. However, the New Articles specify that non-United Kingdom Shareholders are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to which such notices may be sent.

(w) *Directors' interests in contracts*

The 2006 Act sets out directors' general duties which largely codify the existing law but with certain changes. Any director now has to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of any company of which he is a director. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles contain a provision to this effect. The 2006 Act also allows articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. Accordingly, whereas the Existing Articles only permit the directors to authorise conflicts in specific situations, they may, in accordance with the New Articles, authorise more broadly a matter proposed to them which would, if not authorised, involve a breach by a director of his duty under section 175 of the 2006 Act to avoid a situation in which he may have a direct or indirect interest (or duty) that may conflict with the Company's interests and also include other provisions allowing conflicts of interest to be dealt with in a manner consistent with common practice and broadly as currently provided for by the Existing Articles.

However, there are safeguards which will apply when the Company's directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision and secondly, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles will contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Board.

(x) *Directors' fees and appointment and retirement*

Under the Existing Articles, the non-executive directors of the Company (other than alternate directors) are entitled to receive by way of fees for their services as directors an amount not exceeding in aggregate £100,000 per annum or such higher amount as the Company by ordinary resolution may from time to time determine. This amount has been increased in the New Articles to £150,000 per annum. Any such fees payable shall continue to be distinct from any salary, remuneration or other amounts payable to a director pursuant to any other provision of the New Articles. The New Articles continue to make clear that a director shall not be required to hold any shares in the Company. The New Articles also contain provisions broadly similar to those of the Existing Articles to the effect that, at each annual general meeting any

newly appointed director and each of the directors who was elected or re-elected at a general meeting held in the third calendar year falling immediately beforehand will retire and be eligible for re-election. The New Articles do not contain the provision contained in the Existing Articles (although no longer applied) which provides that the chief executive officer of the Company need not stand for re-election.

(y) *Notice and conduct of Board meetings*

The powers contained in the Existing Articles enabling directors of the Company to hold meetings by telephone have been retained but will be further expanded to allow for meetings to be held by means of electronic communication. In addition, the New Articles specify that a resolution in writing authenticated by all the directors entitled to receive notice of the relevant Board or committee meeting, not being less than the requisite quorum, shall be as valid and effective as a resolution duly passed at a meeting of the full Board or such committee.

(z) *Directors' indemnities and loans to fund expenditure*

The 2006 Act has in some areas widened the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions taken against them. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing the Company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. The New Articles reflect these new provisions.

6. Employee Share Schemes

6.1. The Group does not presently operate any employee share scheme or similar incentive arrangement and all outstanding share options previously granted by the Company under former schemes have lapsed unexercised. No further options will be granted under any such arrangement.

6.2. It is proposed that the Performance Share Plan, the terms of which are set out below, be approved at the EGM:

(a) ***Operation***

The Remuneration Committee will supervise the operation of the Performance Share Plan (the "**Plan**").

(b) ***Eligibility***

Any employee (including an executive director) of the Company and its subsidiaries will be eligible to participate in the Plan at the discretion of the Committee.

(c) ***Grant of awards***

The Committee may grant awards to acquire Ordinary Shares within six weeks following the Company's announcement of its results for any period. The Committee may also grant awards within six weeks of Shareholder approval of the Plan or at any other time when the Committee considers there are exceptional circumstances which justify the granting of awards. It is intended that the first awards will be made shortly following adoption of the Plan.

The Committee may grant awards as conditional shares or as nil (or nominal) cost options. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

An award may not be granted more than 10 years after Shareholder approval of the Plan.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

(d) ***Individual limit***

An employee may not receive awards in any financial year over Ordinary Shares having a market value in excess of 150 per cent. of his annual base salary in that financial year. In exceptional circumstances, such as recruitment or retention, this limit is increased to 200 per cent. of an employee's annual base salary.

(e) ***Performance conditions***

The vesting of awards granted to executive directors and other senior executives will be subject to performance conditions set by the Committee. Awards may be granted to other, more junior employees without performance conditions being imposed.

For the initial awards proposed to be granted to the executive Directors, the performance condition that will determine the vesting of awards will be based on absolute "EPS" growth. EPS is the earnings per share of the Company calculated on such basis as specified by the Committee. The performance condition applying to the initial awards will allow 25 per cent. of an award to vest for EPS in the 2013/14 financial year of 4.25 pence, increasing pro-rata to 100 per cent. vesting of an award for EPS in the 2013/14 financial year of 9.25 pence. For the purposes of comparison, EPS in the 2009/10 financial year of the Company was (2.84) pence.

The Committee can set different performance conditions from that described above for future awards provided that, in the reasonable opinion of the Committee, the new conditions are not materially less challenging in the circumstances than those described.

The Committee may also vary any performance condition applying to existing awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance condition, provided the Committee considers the varied condition is fair and reasonable and not materially less challenging than the original condition would have been but for the event in question.

(f) ***Vesting of awards***

Awards granted to the executive directors and other senior executives of the Group will normally vest three years after grant to the extent that any applicable performance condition (see above) has been satisfied. Awards granted to other, more junior employees may be granted with vesting periods of less than three years if the Committee sees fit. In either case, the participant must also remain employed by the Group for their award to vest. Awards granted as nil or nominal cost options are then exercisable up until the tenth anniversary of grant unless they lapse earlier.

Because the performance condition applying to the initial awards is measured at the end of the 2013/14 financial year, those awards will vest three and a half years after grant to the extent that the applicable performance condition has been satisfied and provided the participant is still employed by the Group.

(g) ***Dividend equivalents***

The Committee may decide that participants will receive a payment (in cash and/or Ordinary Shares) on or shortly following the issue or transfer of shares in satisfaction of their award of an amount equivalent to the dividends that would have been paid on those Ordinary Shares between the time the awards were granted and the time they vest. This amount may assume the reinvestment of dividends.

(h) ***Leaving employment***

As a general rule, an award will lapse upon a participant ceasing to hold employment or be a director within the Group.

However, if a participant ceases to be an employee or director in the Group because of his death, ill-health, injury, disability, retirement, his employing company or the business for which he works being sold out of the Group or in other circumstances at the discretion of the

Committee, then his award will vest on the date on which it would have vested if he had not ceased to hold such employment or office, subject to: (i) the performance condition being satisfied at that time; and (ii) the pro-rating of the award to reflect the period of time between its grant and the date of cessation of employment, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

If a participant ceases to be an employee or director of the Group for one of the “good leaver” reasons specified above, the Committee can decide that his award will vest on the date of cessation of employment or office, subject to (i) the extent to which the performance condition has been satisfied by reference to the date of cessation; and (ii) the pro-rating of the award by reference to the time of cessation as described above.

Awards structured as nil or nominal cost options will be exercisable for a period of 12 months from the date of vesting. Any such options which have already vested (but which have not been exercised) on the date of cessation of employment will be exercisable for 12 months from the date of cessation.

(i) ***Corporate events***

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all awards will vest early subject to: (i) the extent that any performance condition has been satisfied at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of Ordinary Shares to a material extent, then the Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

(j) ***Participants’ rights***

Awards will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their Ordinary Shares.

(k) ***Rights attaching to Ordinary Shares***

Any Ordinary Shares allotted or transferred when an award vests or is exercised will rank equally with the Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

(l) ***Variation of capital***

In the event of any variation of the Company’s share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Ordinary Shares, the Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an award and/or the exercise price payable (if any).

(m) ***Overall limits***

The Plan may operate over new issue Ordinary Shares, Ordinary Shares in treasury or Ordinary Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10 per cent. of the issued ordinary share capital of the Company under the Plan and any other employee share plan adopted by the Company.

Ordinary Shares in treasury will count as new issue Ordinary Shares for the purposes of these limits unless institutional investors decide that they need not count.

(n) ***Alterations to the Plan***

The Committee may, at any time, amend the Plan in any respect, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Ordinary Shares or the transfer of Ordinary Shares in treasury, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award.

(o) ***Availability for inspection***

A copy of the Plan will be available for inspection during normal business hours on any weekday (Saturday, Sunday and public holidays excepted) at the offices of Blake Laphorn, which are located at Watchmaker Court, 33 St John's Lane, London EC1M 4DB, from the date of this document to and including the date of Readmission and at the Extraordinary General Meeting for at least 15 minutes before and during the meeting.

7. Directors

7.1. Directors' details

(a) ***Chairman (Non-executive)***

Mike Killingley, MA, FCA (aged 60)

Mike Killingley was appointed to the Board on 1 March 2004 and became its non-executive chairman on 1 April 2004. He was with KPMG, chartered accountants, from 1971 until 1998, and held the post of senior partner of their Southampton office from 1988. He is currently a non-executive director of Falkland Islands Holdings plc and ViCTory VCT PLC and is Treasurer of the University of Southampton.

(b) ***Executive Directors***

Tony Brown (aged 53)

Tony Brown was appointed as Chief Executive by the Group on 1 June 2008. Mr Brown previously held the position of 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.

Ken Owst, BA (Hons) FCMA (aged 54)

Ken Owst joined the Group in April 1994 as Group Finance Director having started his retail career with Allders Department Stores in 1985. He was appointed as a Director in August 1994 and is a fellow of the Chartered Institute of Management Accountants.

(c) ***Non-executive Directors***

Keith Edelman (aged 60)

Keith Edelman was appointed as a Director on 23 September 2008. He was managing director of Arsenal Holdings plc from May 2000 to May 2008 and was 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. Mr Edelman is the appointed senior independent non-executive Director.

Simon Peters, ACCA, CTA (aged 34)

Simon Peters was appointed to the Board on 28 April 2010. He was appointed a director of Panther Securities plc, a substantial shareholder, in 2005. Mr Peters was with KPMG chartered accountants between 1999 and 2004.

7.2. External directorships and interests in transactions

- (a) Save as set out below, none of the Directors has been a member of the administrative, management or supervisory bodies of any company or a partner in any partnership (other than the Company and other members of the Group), at any time in the five years immediately preceding the date of this document:

<i>Director</i>	<i>Current</i>	<i>Past</i>
Mike Killingley	Falkland Islands Holdings Plc Singer & Friedlander AIM VCT Limited The Portsmouth Harbour Ferry Company Limited University of Southampton Holdings Limited ViCTory VCT Plc	Atkins ABG Limited Conder Environmental Plc VT Trustees Limited
Tony Brown	N/A	N/A
Ken Owst	N/A	N/A
Keith Edelman	Argentium International Limited D III LLP D IV LLP Metro Racing Limited (in liquidation) N.I.R.A.H Holdings Limited N.I.R.A.H Limited Olympic Park Legacy Company Limited Phoenix Capital Advisors Limited Safestore Holdings Plc Stonebury Properties Ltd Supergroup plc	Arnotts Holdings Limited Arsenal (AFC Holdings) Limited Arsenal (Emirates Stadium) Limited Arsenal Broadband Limited Arsenal Holdings Plc Arsenal Securities Plc Arsenal Stadium Management Company Limited Arsenal Stadium Management Holdings Limited Ashburton Properties (Northern Triangle) Limited Ashburton Properties Holdings Limited Ashburton Trading Limited ATL (Holdings) Limited Drayton Park Trading Limited HHL Holdings Limited Highbury Holdings Limited Highbury Square Management Limited Qualceram Shires Plc Queensland Road Trading Limited Stadium Capital West Limited Stadium Investment Limited The Arsenal Football Club Plc

<i>Director</i>	<i>Current</i>	<i>Past</i>
Simon Peters	CJV Properties Limited Etonbrook Properties Plc Eurocity Properties (Central) Limited Eurocity Properties Plc London Property Company Plc M.R.G. Systems Limited Melodybright Limited Multitrust Property Investments Limited Northstar Land Limited Northstar Property Investment Limited Panther (Bromley) Limited Panther (Dover) Limited Panther (VAT) Properties Limited Panther AL (VAT) Limited Panther AL Limited Panther Developments Limited Panther Investment Properties Limited Panther Securities plc Panther Shop Investments (Midlands) Limited Panther Shop Investments Limited Panther Trading Limited Snowbest Limited Surrey Motors Limited TRS Developments Limited Westmead Building Company Limited Abbey Mills Properties Ltd Wenhedge Limited	Richmond House (Stockton) Management Limited TRS Developments (Cheadle) Limited TRS Developments (Dynevor) Limited TRS Developments (Glasgow) Limited TRS Developments (South Shields) Limited TRS Developments (Sparkbrook) Limited TRS Developments (Stockton) Limited Yardworth Limited

- (b) Keith Edelman is currently a director of Metro Racing Limited (in liquidation) which entered into a solvent members' voluntary liquidation on 16 June 2010. There is not believed to be any deficiency to members and creditors. Keith Edelman was a director of Qualceram Shires Plc when it went into liquidation on 7 July 2009. The company did not trade but instead guaranteed certain sale and leaseback agreements. The estimated deficiency to creditors is around €31.5 million. However, to the extent that claims are received, the balances admitted are likely to fall short of that amount. No claims have been received to date. Save as aforesaid, none of the Directors has been a member of the administrative, management or supervisory bodies or a director or senior manager of any company or a partner in any partnership at the time of its bankruptcy, receivership or liquidation in the five years immediately preceding the date of this document.
- (c) None of the Directors has, within the previous five years, received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) nor been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.
- (d) Simon Peters is finance director of Panther Securities plc which is a substantial shareholder in Beale. The Company is not aware that any of the other Directors has any potential conflict of interest between his duties to the Company and his private interests or other duties.

- (e) None of the Directors has been convicted of any fraudulent offence within the last five years.

7.3. *Directors' service contracts and letters of appointment and remuneration*

Executive Directors

(a) *Service contracts*

Each of the executive Directors has a service contract. Tony Brown has a service contract dated 11 October 2007 (which commenced on 1 June 2008) and Ken Owst has a service contract dated 6 March 1995 (and subsequently amended on 29 October 1996, 23 June 1998, 5 June 2000 and 10 March 2009). The executive Directors' service contracts are not for a fixed term and provide, in the case of Mr Brown, for twelve months' prior written notice of termination from either party and, in the case of Mr Owst, for three months' prior written notice of termination from him and 12 months' prior written notice from the Company. The Company is under an obligation to pay damages for wrongful termination. In addition, in the event of a takeover of the Company, Mr Owst is, to the extent his employment is terminated in connection therewith, entitled to receive up to one year's salary.

(b) *Entitlement to benefits under service contracts*

Tony Brown is presently entitled to a basic annual salary of £250,000, inclusive of any directors' fees to which he may be entitled. Ken Owst is presently entitled to a basic annual salary of £127,500, inclusive of any directors' fees to which he may be entitled. Full details of the remuneration paid to each of the executive Directors during the 52 weeks to 30 October 2010 are set out in the table below.

Tony Brown has a fully funded company car and Ken Owst receives a cash car allowance of £6,360 per annum.

Tony Brown is entitled to have a sum equal to 15 per cent. of his annual base salary paid directly into the defined contribution section of the Beale pension scheme and in the financial year ended 30 October 2010, the Company contributed £35,625 to this scheme on his behalf.

Ken Owst is entitled to have a sum equal to 8 per cent. of his annual base salary paid directly into an approved personal pension scheme of his choice and in the financial year ended 30 October 2010, the Company contributed £10,000 on his behalf to an approved personal pension scheme. Ken Owst is also a deferred member of the final salary section of the Beale pension scheme which was closed to further accrual on 30 April 2009.

The executive Directors participate in an annual bonus scheme whereby Tony Brown can earn a bonus of up to 100 per cent. of his salary and Ken Owst can earn a bonus of up to 60 per cent. of his salary. This scheme is based primarily on achievement by the Beale Group of demanding profit targets. The scheme also provides for an element payable at the discretion of the Remuneration Committee.

Both executive Directors also participate in the Medium Term Bonus Scheme ("MTBS") which runs for the three years ending 31 October 2011. The amounts which accrue to the executive Directors under the MTBS are equal to their annual bonuses from the scheme referred to above. Any entitlement to a medium term bonus will only be payable if the Director in question remains in the Company's employment, is not working his notice period and has not tendered his resignation when the bonus becomes payable in January 2012. The relevant profit targets applicable to each of the above schemes were not achieved in the year ended 31 October 2009 or in the year ended 30 October 2010.

The Directors are eligible to receive a maximum discount of 20 per cent. on merchandise purchased in the Group's stores. Lower rates of discount are applicable to certain merchandise categories.

Each executive Director is entitled to be reimbursed all out-of-pocket expenses incurred by him in the performance of his duties upon production of satisfactory evidence of payment or expenditure.

Each of Tony Brown and Ken Owst are, in addition to public and bank holidays, entitled to 26 paid days' holiday per annum during the appointment. Holidays not taken in any holiday year cannot be carried over into a subsequent holiday year. In the event that the service of either executive Director is terminated, the Director is entitled to receive payment in lieu of any accrued but unused holiday entitlement.

The Company provides each executive Director with private medical expenses insurance for him and his spouse and children under the age of eighteen.

Tony Brown receives life assurance cover of three times his basic salary and a spouse's pension. Ken Owst is entitled to life assurance cover of four times his basic salary and a spouse's pension.

(c) *Details of remuneration*

The Company's current policy for providing remuneration to executive Directors is aimed at attracting, motivating and retaining Directors of the high calibre needed to maintain the Group's position and to reward them for enhancing value to Shareholders. The main elements of the remuneration package for the executive Directors include basic annual salary, benefits in kind, pension contributions and bonus payments.

The Company's policy is that a substantial proportion of the potential remuneration of the executive Directors should be performance related. The performance measurement of the executive Directors and the determination of their annual remuneration package is undertaken by the Remuneration Committee.

The Company previously operated an approved share option scheme (the "**Scheme**"). No further options will be granted and there remain no outstanding options previously granted under the Scheme. The Company does not currently operate a share incentive plan in which the executive Directors (or any other Group employee) are entitled to participate. It is proposed that the Performance Share Plan will be introduced from the date of the EGM.

Details of the executive Directors' remuneration for the 52 weeks to 30 October 2010 are as follows:

<i>Executive Director</i>	<i>Salary and fees £</i>	<i>Bonus £</i>	<i>Total benefits £</i>	<i>Totals</i>
Tony Brown	245,000	–	6,000	251,000
Ken Owst	125,000	–	8,000	133,000

The total amount set aside or accrued by the Group in the financial year ended 30 October 2010 to provide pension, retirement or similar benefits to Tony Brown and Ken Owst was £35,625 and £10,000 respectively. Tony Brown's contributions were paid into the defined contribution section of the Beale pension scheme. Ken Owst's contributions were paid into a personal pension plan. Details of relevant disclosures can be found on pages 54 to 57 of the Group's 2010 annual report (which has been incorporated herein by reference).

Non-executive Directors

(a) *Letters of appointment*

The non-executive Directors do not have contracts of service but their appointments are subject to the Existing Articles and their re-election at annual general meetings in accordance therewith. All non-executive Directors are entitled to be reimbursed for all out-of-pocket expenses incurred in the performance of their duties and receive benefits in the form of directors' fees and insurance. Details of the non-executive Directors' letters of appointment are set out below:

- (i) On 26 January 2004, Mike Killingley was appointed as a non-executive director of Beale and JEB (effective from 1 March 2004). He also became the independent non-executive Chairman of the Board on 1 April 2004. The initial term of his appointment was for the period up to and including 28 February 2007. Mr Killingley's appointment as non-executive Director was renewed for a period of three years from 1 March 2007 and further renewed for a period of three years on 1 March 2010. Mr Killingley's appointment can be terminated by Beale or Mr Killingley on the giving of 6 months' notice in writing. Mr Killingley is currently the chairman of the Audit and Nomination Committees and a member of the Remuneration Committee.
- (ii) Keith Edelman was appointed as the senior independent non-executive Director with effect from 23 September 2008 pursuant to a letter of appointment dated 12 September 2008. The initial term of his appointment was for three years and such term may thereafter be renewed for a further term by mutual agreement. Mr Edelman's appointment can be terminated by Beale or by Mr Edelman on the giving of 6 months' notice in writing. Mr Edelman is currently chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.
- (iii) Simon Peters was appointed as a non-independent non-executive Director on 28 April 2010 pursuant to a letter of appointment dated 19 April 2010. The initial term of his appointment was for three years and such term may thereafter be renewed for a further term by mutual agreement. Mr Peters' appointment can be terminated by Beale or by Mr Peters on the giving of 6 months' notice in writing. Mr Peters is currently a member of the Nomination Committee.

Set out below are the dates of appointment of each of the Directors and the dates of their last re-election to the Board:

<i>Executive Directors</i>	<i>Date appointed</i>	<i>Last re-elected</i>
Tony Brown	1 June 2008	18 March 2009
Ken Owst	1 August 1994	18 March 2009
<i>Non-executive Directors</i>	<i>Date appointed</i>	<i>Last re-elected</i>
Mike Killingley	1 March 2004	18 March 2010
Keith Edelman	23 September 2008	18 March 2009
Simon Peters	28 April 2010	17 March 2011

(b) *Details of fees*

The remuneration of the non-executive Directors is determined by the Board based on independent surveys of fees paid to non-executive directors of similar companies and within the limits set out in the Existing Articles, which limit the total amount of aggregate fees paid as a whole to £100,000 or such larger amount as the Company may by ordinary resolution determine. The New Articles will contain a similar provision but limit the total amount of aggregate fees paid as a whole to £150,000 or such larger amount as the Company may by ordinary resolution determine.

The non-executive Directors are not eligible to join the designated Group pension plan. Fees paid to the non-executive Directors for the 52 weeks to 30 October 2010 are as follows:

<i>Non-executive Directors</i>	<i>Total for 52 weeks to 30 October 2010</i>
Mike Killingley	£43,000
Keith Edelman	£25,000
Simon Peters	No fee was paid

The non-executive Directors do not receive additional fees in respect of their membership of the Remuneration Committee, Nomination Committee or Audit Committee and were not paid any benefits in kind in the 52 weeks to 30 October 2010.

7.4. *Senior Management*

The Board is supported by a senior management team which includes the following individuals:

Suzi Bailey – Director of Buying (aged 46)

Suzi Bailey is a Director of Buying with responsibility for furniture, toys, linens, homewares, gifts, and Christmas. She joined the Group in 2004, having gained substantial experience in a range of buying roles at House of Fraser.

Rhona Ferguson – Group Management Accountant (aged 47)

Rhona Ferguson is a member of the Institute of Chartered Accountants. She is the Group Management Accountant and joined the Company in 2000. Prior to joining the Group, Rhona worked as Finance Manager for 7 years at Magna Housing Association.

Clint Hardiman – Director of Retail Operations (aged 38)

Clint Hardiman is Director of Retail Operations and joined the Group in 2009 having relocated from South Africa. Clint's initial appointment with Beale was as Store Director of its flagship store in Bournemouth and he was promoted to his current position in January 2010. Clint gained extensive experience working in a range of senior roles for Ackermans, a large South African based retailer.

Trevor Jones – Services Executive (aged 50)

Trevor Jones is the Services Executive, having joined the Company in 2008 from Bourne Gas, a mechanical maintenance business. Trevor previously worked for 12 years as Facilities Manager for Care South. His employment with Beale began as Maintenance and Services Manager, before being promoted to his current role in December 2008.

Lin Louttit – HR Executive (aged 51)

Lin Louttit is a Fellow of the Chartered Institute of Personnel and Development, and is the HR Executive of the Group. She joined the Company in 2001 from Marks and Spencer, where she worked in both HR and Learning and Development for 19 years. Lin joined Beale as Group HR Adviser, and has held her current position since 2004.

Gemma Quin – Head of Merchandising (aged 37)

Gemma Quin is Head of Merchandising, having joined the Group in 2010 from New Look, where she was the Merchandise Planning Manager. Gemma has previously worked in a range of merchandising roles for Arcadia, House of Fraser, Kookai, and Tesco.

Arnold Sincup – IT Executive (aged 64)

Arnold Sincup is the IT Executive and joined the Company in 1997 from the Maples Group where he was IT and Logistics Manager. Arnold began his IT career as a commercial apprentice at Rolls Royce and gained further IT experience at Tarmac Quarry products and the wholesale and retail food distribution group, Morgan Edwards.

Joanna Sotherton – Integration Director/Director of Buying (aged 53)

Joanna Sotherton is a Director of Buying and has responsibility for apparel and cosmetics. She joined the Company in 1994 and has substantial buying and merchandise experience, having worked for John Lewis for 15 years.

Chris Varley – Company Secretary/Group Financial Controller (aged 53)

Chris Varley is a Fellow of the Institute of Chartered Accountants in England and Wales. He is Group Company Secretary/Financial Controller. He joined the Group in 1987 from Merck. Throughout his career he has dealt with a broad range of accounting and legal matters.

Save as disclosed in this paragraph 7, no contracts of employment have been entered into with any Director or senior manager of the Group or amended within six months prior to the date of this document.

8. Corporate Governance

It is the policy of the Company to comply with current best practice in corporate governance as set down in the Governance Code. As at the date of this document, the Board considers that the Group complies with its provisions save that it has not complied with:

- (a) Clause B.6 of the Governance Code in relation to performance evaluation. The Board considers that to comply fully with this clause is inappropriate for such a small quoted company.
- (b) Clause C3.1 of the Governance Code whereby the Group chairman should not chair the Audit Committee. Given the Chairman is a chartered accountant who used to be an audit partner and therefore has relevant financial experience, the Directors believe it is appropriate for him to chair the Audit Committee. The independence of the Chairman and non-executive directors is subject to ongoing monitoring by the Board.
- (c) Clause C3.5 of the Governance Code in that for five months of the financial year which ended on 30 October 2010 and for 2½ months of the current financial year, it did not have an internal auditor. A new internal auditor joined the Group on 17 January 2011.

In addition, following Completion and until repayment in full of the Term Loan and redemption of at least 50 per cent. of the Preference Shares by nominal value, the Group will, to the extent ARCS appoints a director to the Board under the NED Agreement, not be able to comply with clause B.7 of the Governance Code which requires that all directors be subject to re-election at regular intervals as any such director will not be subject to re-election.

The Board has established Nomination, Remuneration and Audit Committees, with formally delegated duties and responsibilities, and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues should the need arise.

8.1. The Board

The Board currently comprises the non-executive Chairman Mike Killingley, two non-executive Directors, Keith Edelman and Simon Peters and two executive Directors, Tony Brown and Ken Owst. The role of senior independent director is performed by Keith Edelman. The composition of the Board is described in paragraph 7 of this Part X.

The Governance Code recommends that, for smaller companies, there should be at least two independent non-executive directors (excluding the chairman), independence is defined in clause B1.1 of the Governance Code. There is currently an independent non-executive Chairman and two non-executive Directors (one of whom is also considered independent) and two executive Directors as at the date of this document. 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.

Newly appointed directors of the Company are offered for re-election at the annual general meeting following their appointment and, once elected, directors are required to submit themselves for re-election at least once every three years in accordance with the Existing Articles. Similar provisions will apply under the New Articles. 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 and 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 receive appropriate training on appointment to the Board and on an ongoing basis. Directors and officers of the Company have the benefit of a directors' and officers' liability insurance policy.

The Board meets formally at least eight times each year and gives full consideration to strategic, financial and operational issues. It has a schedule of matters set aside for its direction including the approval of interim and full year financial statements and annual budgets. Profit and working capital forecasts and monthly management accounts are also regularly reviewed by the Board.

8.2. *Relations with Shareholders*

The Company is ready, where practicable, to enter into a dialogue with institutional Shareholders based on a mutual understanding of objectives and the executive Directors meet with institutional Shareholders by arrangement. 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.

8.3. *Internal control*

The Group's monitoring of its internal control systems is continual. The internal controls in place aim to safeguard the Group's assets and to ensure that its operations are carried out in an efficient and effective manner. They encompass controls to deal with significant business, operational, financial, compliance and other risks which may otherwise prevent achievement of the Group's objectives.

The key components of the Group's internal control system, all of which were fully operational during 2010 and to date in 2011, are set out below:

- (a) A clear organisation structure with clearly defined lines of responsibility. Executives have a clear ongoing mandate for identifying, evaluating and managing risks within their sphere of responsibility. Existing controls are documented and any additional controls identified are implemented or scheduled to be implemented and reviewed on a regular basis.
- (b) Control procedures are maintained by managers and executives and in particular, there are clearly defined policies for capital expenditure and treasury management, including appropriate authorisation levels.
- (c) 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. Actual results are reported monthly against budget and the previous year, and any significant adverse variances and the reasons for their occurrence are examined by the Directors and appropriate remedial action identified. There is monthly cashflow reporting and revised profit forecasts for the current year are prepared each month and regularly updated and reviewed.
- (d) Throughout the Group, the Directors ensure the placement of experienced and professional staff of the necessary calibre to discharge their delegated responsibilities.
- (e) 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. All major capital projects require investment appraisal and review and all large transactions require Board approval.

The Directors are responsible for establishing and maintaining the Group's systems of internal operational and risk control covering financial compliance management and for reviewing its effectiveness. However, such systems are 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.

8.4. ***Internal audit function***

A new internal auditor joined the Group on 17 January 2011 and the Group now has an internal audit function which is principally focused on its retail outlets. Systematic audits are carried out on a regular basis to ensure compliance with the Group's procedures relating to stock management and cash control. Audits are planned such that all stores are audited twice each year. The Group's internal auditor is based in its head office in Bournemouth.

8.5. ***Audit Committee***

The Audit Committee presently comprises the Company's two independent non-executive Directors, Mike Killingley and Keith Edelman. The chairman of the Audit Committee is Mike Killingley. Meetings of the Audit Committee are normally held not less than three times a year and the other Board members, Company Secretary and the Company's external auditors attend by invitation.

The Audit Committee's responsibilities, *inter alia*, include:

- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors and their remuneration and terms of engagement;
- keeping under review and considering the results of the external audit, its cost effectiveness and the independence and objectivity of the auditors;
- monitoring the integrity of the financial statements of the Group and reviewing any formal announcements relating to its financial performance and any significant financial reporting judgements contained therein;
- ensuring that the Board applies the Company's financial reporting, risk management and internal control principles; and
- reviewing the arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties.

The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense.

8.6. ***Nomination Committee***

The Nomination Committee presently comprises the Company's two non-executive Directors, Keith Edelman and Simon Peters, and the Company's non-executive Chairman, Mike Killingley who also chairs the committee. The Company considers that it complies with the Governance Code recommendations regarding the composition of the Nomination Committee. Meetings of the Nomination Committee are held as and when required, but not less than once a year.

The Nomination Committee's responsibilities, *inter alia*, include:

- regularly considering and reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to any changes; and
- considering retirement and succession planning for both executive and non-executive directors of the Company and other senior executives and identifying and recommending for approval by the Board candidates to fill Board vacancies as and when they arise.

The Nomination Committee is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense.

8.7. **Remuneration Committee**

The membership of the Remuneration Committee presently comprises the Company's two independent non-executive Directors, Keith Edelman and Mike Killingley. The chairman of the Remuneration Committee is Keith Edelman. Meetings of the Remuneration Committee are normally held not less than twice a year. The Company considers that it complies with the Governance Code recommendations regarding the composition of the Remuneration Committee. No Director plays a part in any discussion about his own remuneration.

The Remuneration Committee's responsibilities, *inter alia*, include:

- reviewing the ongoing appropriateness and relevance of the Group's remuneration policy;
- determining the individual remuneration and benefits package of each of the executive Directors and the Chairman having regard to pay and employment conditions elsewhere in the Group; and
- ensuring that a significant proportion of the potential remuneration of the executive Directors should be performance related.

The Remuneration Committee is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense.

9. **Directors' and other significant interests**

- 9.1. Save as set out in paragraph 9.2 below, none of the Directors has any interest (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.
- 9.2. The interests (direct and indirect) of each of the Directors and persons connected with them (within the meaning of section 252 of the 2006 Act) in the issued share capital of the Company, all of which are beneficial, together with such interests as are expected to subsist immediately following Readmission, are as follows:

	<i>Number of Ordinary Shares as at 19 April 2011</i>	<i>Percentage of voting rights as at 19 April 2011</i>
<i>Shareholder</i>		
Mike Killingley	45,000	0.22
Ken Owst ¹	42,400	0.21
Tony Brown	15,000	0.07
Keith Edelman	15,000	0.07

Note:

1. These Ordinary Shares are held as follows: 8,800 Ordinary Shares are held by Ken Owst and 33,600 Ordinary Shares are held by his wife Mrs S A Owst.

Simon Peters is the finance director of Panther Securities plc which, as noted in paragraph 9.3 below, is a substantial shareholder of the Company.

Save as set out in this paragraph, the Directors are not aware of any interests of persons connected with them which would, if such connected person were a Director, be required to be notified to the Company pursuant to DTR 3.1.2.

- 9.3. As at 19 April 2011 (being the latest practicable date prior to the date of publication of this document, and so far as is known to the Company by virtue of the notifications made pursuant to the 2006 Act and/or Chapter 5 of the Disclosure and Transparency Rules), the name of each person (other than a Director) who, directly or indirectly, is interested in three per cent. or more of the voting rights in the Company, and the amount of such person's interest, is as follows:

<i>Shareholder</i>	<i>Number of Ordinary Shares as at 19 April 2011</i>	<i>Percentage of voting rights as at 19 April 2011</i>
Panther Securities plc ¹	6,100,000	29.72
Gartmore Investments Limited	1,720,000	8.38
Lawdene Limited	925,403	4.51
Nigel Beale and Anthony Lowrey	819,140	3.99

Note:

1. These Ordinary Shares are held as follows: (a) 1,455,000 Ordinary Shares are held by Maland Pension Fund; (b) 4,074,493 Ordinary Shares are held by Panther Securities plc; (c) 25,000 Ordinary Shares are held by Mrs K Perloff; (d) 333,000 Ordinary Shares are held by Mr A Perloff; and (e) 212,507 Ordinary Shares are held by Wenhedge Limited.

Save as set out in this paragraph, the Company is not aware of any person who, directly or indirectly, jointly or severally, has or will immediately following Readmission have a notifiable interest in three per cent. or more of the issued share capital of the Company.

- 9.4. The Company is not aware of any person who, either as at the date of this document or immediately following Readmission, exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company nor is it aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.
- 9.5. None of the major Shareholders set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Share held by them.

10. Mandatory bids, squeeze-out and sell-out rules in relation to Ordinary Shares

Other than as provided by the City Code and Chapter 28 of the 2006 Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Company.

10.1. *Mandatory bid*

The City Code applies to the Company. Under the City Code, if an acquisition of interests in Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to interests in Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in Ordinary Shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

10.2. *Squeeze-out*

Under the 2006 Act, if an offeror were to make an offer to acquire all of the Ordinary Shares not already owned by it and was to acquire 90 per cent. of the Ordinary Shares to which such offer related it could then compulsorily acquire the remaining ten per cent. The offeror would do so by sending a notice to outstanding Shareholders telling them that it would compulsorily acquire their Ordinary Shares and then, six weeks later, it would deliver a transfer of the outstanding Ordinary Shares in its favour to the Company which would execute the transfers on behalf of the relevant Shareholders and pay the consideration to the Company which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose Ordinary Shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a Shareholder can show that the offer value is unfair.

10.3. *Sell-out*

The 2006 Act would also give minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on Shareholders notifying them of their sell-out rights. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

10.4. *Public takeover bids occurring in the last and current financial year*

There have been no public takeover bids by third parties in respect of the share capital of the Company during its last or current financial year.

11. **Introduction Agreement**

Under the terms of the Introduction Agreement, the Company confirms the appointment of Shore Capital as sponsor and agrees with it that, conditional upon, *inter alia*, the passing of the applicable Resolutions and the satisfaction of certain other conditions precedent (including the Acquisition Agreement having become unconditional in all respects in accordance with its terms), by not later than 8.00 a.m. on 24 May 2011 (or such later time or date as the Company and Shore Capital may agree, being not later than 8.00 a.m. on 21 June 2011), Shore Capital should use its reasonable endeavours to procure Readmission.

If all of the conditions precedent in the Introduction Agreement are not fulfilled (or, where permitted, waived) in all respects by the specified time and date or by such later date as Shore Capital and the Company may agree (being not later than 8.00 a.m. on 21 June 2011), the obligations of Shore Capital under the Introduction Agreement will terminate and Readmission will not proceed.

Under the Introduction Agreement, the Company has given certain representations and warranties to Shore Capital regarding, *inter alia*, the accuracy of the information contained in this document and an indemnity in relation to any claims against Shore Capital or any loss suffered by it arising directly or indirectly in connection with or arising out of the services rendered or duties performed by it under the Introduction Agreement, save for any claim or loss that arises as a result of Shore Capital's negligence, bad faith or wilful default.

Shore Capital may terminate its obligations under the Introduction Agreement if, *inter alia*, in the opinion of Shore Capital (acting in good faith) there is a material breach of any of the provisions of the Introduction Agreement by the Company or any of the warranties contained in the Introduction Agreement or if a statement of fact contained within this document ceases to be true and accurate and not misleading in any respect which Shore Capital (acting in good faith) regards as being material at any time prior to Readmission. Shore Capital may also terminate on the occurrence of certain *force majeure* events including a material adverse change in the condition, business or prospects of the Group or a fundamental change in economic, political or market conditions or any outbreak of hostilities or similar crisis which (in the opinion of Shore Capital acting in good faith), makes it inadvisable to proceed with the Readmission.

12. **Other material contracts**

12.1. *The Group*

In addition to the Introduction Agreement summarised in paragraph 11 above and the Acquisition Agreement, IT Services Agreement, Term Loan Agreement and NED Agreement which are summarised in Part IX of this document, the following contracts (not being contracts entered into in

the ordinary course of business) have been entered into by the Company or a member of the Group (a) within the two years immediately preceding the date of this document and are, or may be, material or (b) at any time and contain provisions under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

(a) *Revolving credit facility*

The Company as borrower and each of JEB, I.M.S Finance Limited and Grant-Warden Limited as guarantors (each, a “**Guarantor**”) entered into a sterling revolving credit loan facility agreement dated 6 September 2010 (the “**Facility Agreement**”) with HSBC in an aggregate amount of £9.0 million (the “**Facility**”). In light of the level of professional expenses incurred by the Company in relation to the Proposed Acquisition, the Facility Agreement was amended by side letter dated 25 January 2011 in order to provide increased headroom under the financial covenants described below. The Facility Agreement was further amended in light of the Proposed Acquisition on 1 April 2011 as set out in paragraph (a)(vi) below.

The Facility is to be used by the Company for financing its working capital requirements. It is capable of being utilised by way of redrawable loans, each of which must be repaid together with interest on the last day of each interest period falling up to 6 months after the relevant drawdown date. The principal terms of the Facility Agreement are described below.

(i) Interest rates and fees

Utilisations under the Facility Agreement will bear interest for each interest period at a rate per annum equal to LIBOR (as defined in the Facility Agreement) plus a margin of 3 per cent. and any mandatory regulatory costs incurred by HSBC. If the Company fails to pay any amount on its due date under, among others, the Facility Agreement or the Overdraft (described below) or any of the first legal mortgages held by HSBC over the freehold properties owned by the Company in Yeovil and Kendal and by JEB in Bedford (the “**Properties**”), further interest shall accrue on the overdue amount at a rate which is the sum of 2 per cent. above the rate which would otherwise have been payable. Such default interest shall be immediately payable by the Company on demand by HSBC.

A commitment fee is payable on the undrawn portion of the Facility at a rate of 1.5 per cent. per annum, payable quarterly in arrear. An up-front arrangement fee of £112,500 was paid to HSBC in return for it making the Facility available.

(ii) Covenants

The Facility Agreement requires the Company to observe certain undertakings, including undertakings relating to delivery of financial statements; shareholder and creditor documents; details of material litigation; compliance with laws; all insurances and authorisations being obtained and maintained; payment of taxes; and notification being provided to HSBC of any default.

The Facility Agreement requires that the Company and each of the Guarantors comply with certain negative covenants, including covenants restricting the creation of security or guarantees; disposals; mergers or corporate reconstructions; acquisitions and changes in business. Neither the Company nor the Guarantors may declare, pay or make any dividend, save (in respect of the Company) of such amount of its post tax profits in any financial year as exceed £300,000 where no default is continuing or would as a result occur.

In addition, the Facility Agreement originally required the Company to comply with four financial covenants:

- (a) a loan to value covenant which required that the ratio expressed as a percentage of aggregate loans outstanding under the Facility to the most recent market value

of the properties (including the Properties) owned by the Group may not exceed at any time 75 per cent.;

- (b) an interest cover covenant which required that the ratio expressed as a percentage of EBIT (as defined in the Facility Agreement) to the aggregate of all interest payable under or pursuant to the Facility Agreement must be or exceed 150 per cent. for the period to 31 October 2011 or 200 per cent. thereafter;
- (c) a requirement that the total tangible assets of the Group (excluding goodwill and adjusted for movements in the valuation of the Group's defined benefit pension schemes after 31 October 2009 and to the extent that any non-cash movements apply) less its total liabilities not be less than £12,240,050 at any time; and
- (d) a requirement that the Group's post tax profits not be:
 - (i) more than a loss of £672,500 in the period between 1 November 2009 to and including 31 October 2010;
 - (ii) less than £1.25 million in the period between 1 November 2010 to and including 30 April 2011;
 - (iii) less than £300,000 in the period between 1 November 2010 to and including 31 October 2011;
 - (iv) less than £1.40 million in the period between 1 November 2011 to and including 30 April 2012; and
 - (v) less than £600,000 in the period between 1 November 2011 to and including 31 October 2012.

These financial covenants were to be tested by HSBC as at 30 April and 31 October in each year.

(iii) Maturity

The Facility was originally to be repaid in full by 31 August 2012 (since extended to 31 October 2012) but will cease to be available from one month prior to that date.

(iv) Prepayment

The Facility is required to be prepaid in full immediately upon the occurrence of certain events, including a change of control (as defined in the Facility Agreement) of either the Company or a Guarantor. Subject to an indemnity for broken funding costs, the Company may voluntarily prepay amounts outstanding under the Facility Agreement, without penalty or premium (except for certain break costs), in whole or in part, in minimum amounts of £100,000 together with accrued interest, upon not less than five business days' prior notice to HSBC. Any prepayment shall be made with accrued interest on the amount prepaid.

(v) Events of default

The Facility Agreement contains certain customary events of default which may trigger immediate cancellation and repayment of the Facility, including events relating to failure to pay; misrepresentation; cross-default; breach of certain undertakings; breach of any of the financial covenants; insolvency and insolvency proceedings; material litigation; material adverse change and change of control.

(vi) Facility amendment

In consideration of the Company agreeing to pay an arrangement fee of £40,000 on the earlier of 31 August 2011 and Completion, the Facility Agreement was further amended

by an agreement dated 1 April 2011 between HSBC and the Company to the effect that:

- (a) none of the financial covenants described in paragraph (a)(ii) above will be tested as at the 30 April 2011 test date;
- (b) the financial covenant described in paragraph (a)(ii)(a) above will be tested as at 30 April and 31 October in each year, commencing on 31 October 2011;
- (c) the financial covenant described in paragraph (a)(ii)(b) above will be tested as at 30 April and 31 October in each year commencing on 31 October 2012;
- (d) in relation to the financial covenant described in paragraph (a)(ii)(c) above, in the event that the Company becomes aware that the total net tangible assets of the Group described therein have fallen below £12,240,050 at any time, the Company will be required to promptly notify HSBC and submit a written plan to increase the Group's tangible net worth above the target level within eight weeks of notification and in such event, HSBC will have the immediate right to appoint reporting accountants to carry out (at the Company's cost) an independent business review on the Group and report on such matters relating to it as HSBC considers necessary or desirable; and
- (e) the financial covenants described in paragraph (a)(ii)(d) above were deleted and replaced with a requirement that the Group's (or, as the case may be, the Enlarged Group's) post tax profits not be less than £600,000 in the period between 1 November 2011 to and including 31 October 2012;
- (f) various other new provisions were agreed, namely:
 - (i) unless otherwise agreed by HSBC, on the date falling three months from Completion or alternatively, within eight weeks after receiving notification that the Proposed Acquisition will not proceed, the Company will be required to provide HSBC with revised financial forecasts and a business plan for the Group (or, as the case may be, the Enlarged Group). In addition, should the Proposed Acquisition not have become effective by 31 August 2011, HSBC will have the immediate right (at the Company's cost) to appoint reporting accountants to carry out a full independent business review on the Group and report on such matters relating to it as HSBC considers necessary or desirable;
 - (ii) the Company will be required to provide to HSBC on a monthly basis a 13 week trading cash flow forecast and on 30 April and 31 October in each year, an annual cash flow forecast for the Group (or, as the case may be, the Enlarged Group) together with a written representation from the Directors that they reasonably believe that the Group will be able to continue trading within the limits of existing facilities made available by HSBC and meet all financial covenants for the following 12 months;
 - (iii) a new financial covenant must be complied with by the Company to the effect that, on each of the relevant quarterly test dates (being 31 January, 30 April, 31 July and 31 October in each year commencing on 31 July 2011), there must be at least £2.0 million headroom on the Facility (headroom in this context meaning cash that is immediately transferable by the Company from current accounts held by the Group with HSBC and including any undrawn commitment under the Facility) with an additional requirement that the availability of less than £3.0 million of headroom must (save where this occurs at the October test date) be notified to HSBC which may then (at the Company's cost) immediately appoint reporting

accountants to conduct a full independent business review on the Group (or, as the case may be, the Enlarged Group);

- (iv) a breach of the Facility Agreement would, unless otherwise agreed in writing with HSBC, be triggered by any departure from the Group (or, as the case may be, the Enlarged Group) of certain named members of the senior management team in the event that either a suitable replacement were not appointed within 12 weeks or other suitable mitigating factors otherwise agreed with HSBC; and
- (v) the Company will (at an aggregate cost of £50,000 plus disbursements and VAT) be required to engage an external retail consultancy approved by HSBC to conduct a review and report on the financial performance of the Group (or, as the case may be, the Enlarged Group) during the period ending on 31 July 2011 and thereafter to conduct a review of its financial performance over a further three successive quarters tested on each of 31 October 2011, 31 January 2012 and 30 April 2012 against an agreed set of key performance levels. In the event that any such performance target is not achieved, HSBC will have the immediate right to appoint reporting accountants to carry out (at the Company's cost) an independent business review on the Group (or, as the case may be, the Enlarged Group) and report on such matters relating to it as HSBC considers necessary or desirable.

- (vii) By a separate letter addressed to the Company and also dated 1 April 2011, HSBC consented to the making of the Proposed Acquisition.

(b) *Overdraft*

On 2 September 2010, the Company and JEB entered into a collective facility agreement with HSBC for the provision by it of an overdraft facility of £112,000, a forward exchange contracts and currency option of US\$10,000 and an engagements facility of £516,000 sufficient to allow HSBC to provide a guarantee in an equivalent amount (in respect of which it was indemnified by JEB) to HSBC Merchant Services LLP in relation to the provision by it of credit card processing services (the “**Overdraft Facility**”).

An up-front arrangement fee of £1,120 was paid to HSBC in return for it making the Overdraft Facility available. The Overdraft Facility is secured in the same manner as the Facility Agreement as described in paragraph 12.1(a)(i) above. Utilisations under the Overdraft Facility bear interest at a rate of up to 3 per cent. per annum above the prevailing Bank of England base rate or, in respect of multi-currency drawings, above HSBC's relevant prevailing currency base rate, payable quarterly in arrear. The Overdraft Facility was made available by HSBC on its customary standard terms and is repayable on demand but, subject to this, has a review date of July 2011.

(c) *Pensions guarantee*

Under the terms of a deed of guarantee (the “**Guarantee**”) dated 3 July 2009 between the Company, BES Trustees Plc and the individual trustees of the Beale pension scheme (together, the “**Trustees**”), to the extent that JEB is in default of its payment obligations thereunder, Beale guarantees to pay, immediately on demand by the Trustees, and fully indemnifies the Trustees against any loss or liability suffered by them which relates to the present and future obligations and liabilities of JEB to make payments to the scheme up to a maximum amount of £6.0 million in aggregate.

All payments made by the Company must be made without set-off or counterclaim and it must also make all payments due under the Guarantee without any tax deduction, unless required by law.

The Directors consider the likelihood of default by JEB to be remote, and accordingly assessed the fair value of the Guarantee as at 30 October 2010 to be £500,000.

(d) *Hexham acquisition*

Under the terms of a sale and purchase agreement dated 3 June 2010 (the “**Hexham Agreement**”), Vergo Retail Limited (in administration) (“Vergo”) and its administrators (the “**Administrators**”) sold and JEB acquired certain of the business and fixed assets (the “**Hexham Business**”) comprising shop fittings, fixtures, furniture, office equipment and information technology infrastructure, contracts, goodwill, stock in trade, inventory and stores, forward orders and cash floats in the Hexham department store, ownership of which transferred to JEB on 4 June 2010. Beale guaranteed the obligations of JEB under the Hexham Agreement. Existing employees of the Hexham Business also transferred to JEB on completion of the purchase.

The aggregate consideration paid by JEB on completion of the acquisition of the Hexham Business was £250,000, funded entirely from JEB’s existing cash resources. JEB occupies the Hexham store under the terms of a lease granted by the landlord on 1 August 2010 for a term of 15 years excluded from security of tenure.

On completion, Beale received a payment from the landlord of £250,000 by way of a reverse premium and a further £250,000 was received on 1 April 2011.

As the acquisition of the Hexham store was made by JEB from an insolvent company, as is customary, neither Vergo nor the Administrators gave any representations, warranties or indemnities to JEB in respect of the sale of the Hexham Business. Accordingly, under the Hexham Agreement, JEB acknowledges that neither Vergo nor the Administrators will incur any liability to it by reason of any fault or defect in all or any of the assets acquired or any breach of the obligations of Vergo impliedly arising under statute.

As is also customary, JEB agreed to indemnify Vergo and the Administrators against any loss incurred by either of them which arises as a result, *inter alia*, of JEB’s use of any of the assets acquired pursuant to the Hexham Agreement; its use or possession of any of the information technology or intellectual property transferred to it; any claim brought by any person in relation to JEB’s use of the name “*Robbs of Hexham*”; any breach by JEB of the Data Protection Act 1998; any failure by JEB to obtain and maintain the correct licences in respect of the sale or consumption of alcohol at the Hexham store premises; and any breach caused by JEB under any assumed supply contract, customer contract or concession agreement or in relation to its treatment of concession stock or any stock held subject to a reservation of title arrangement.

(e) *Rochdale acquisition*

Under the terms of a sale and purchase agreement dated 5 August 2010 (as amended on 3 September 2010) (the “**Rochdale Agreement**”), ARCS sold and JEB acquired the business and fixed assets (the “**Rochdale Business**”) (comprising shop fittings, fixtures, furniture and machinery and office equipment), contracts, goodwill (excluding the name “*Westgate Department Store*” and its logo, branding and stationery), stock in trade, inventory and stores, forward orders and cash floats in the Westgate department store in Rochdale. Existing employees of the Rochdale Business also transferred to JEB on completion.

Following the satisfaction of various conditions contained in the Rochdale Agreement, completion of the purchase of the Rochdale Business occurred on 5 September 2010. The aggregate consideration paid by JEB in relation to the acquisition of the Rochdale Business was £153,000 (principally in respect of stock). The Rochdale Acquisition was funded entirely from JEB’s existing cash resources.

JEB occupies the Rochdale store under the terms of two sub-leases granted by Co-Operative Group Limited for a period of 25 years from 5 September 2010 subject to a tenant’s right to

terminate on the fifteenth anniversary of commencement of the term on not less than nine months' notice in writing. In addition, JEB was paid a lease incentive of £1.0 million on completion with the landlord agreeing to underwrite rent, insurance, service charge and business rates payable in respect of the property up to a value of £1.7 million.

ARCS gave certain warranties and indemnities to JEB in respect of the Rochdale Business customary (subject to normal limitations) for a transaction of this nature. JEB is able to bring claims for breach of any warranty for a period of up to two years following the date of completion. The aggregate liability of ARCS under the warranties is £250,000.

ARCS agreed not to carry on or be engaged, concerned or interested in the ownership, operation, trading or management of any retail department store or similar business within a radius of 20 miles from the Rochdale store for a period of 5 years from completion. In addition, ARCS agreed for a period of two years from completion not to induce any supplier of goods or services to the Rochdale Business to cease to supply, or to restrict or vary its terms of supply, or without the prior written agreement of JEB, to employ or engage any employee of the Rochdale Business having a base salary of £25,000 per annum or more. ARCS continues to operate an in store furniture concession at the Rochdale store.

The Rochdale Agreement provides that, in the event any restructuring of the Rochdale Business is required following completion, ARCS will indemnify JEB in respect of any obligation to make redundancy and notice payments and any pension contributions to any of the employees associated with up to three separate restructuring exercises commenced or announced by JEB in relation to the Rochdale Business and some or all of those employees, on or before the date falling within 18 months from completion.

(f) *Far East buying arrangements*

Under the terms of an agreement dated 12 October 2010, ARCS and JEB agreed certain key provisions in relation to the joint buying of goods in China and Hong Kong for resale by ARCS and JEB in their respective stores (the “**Buying Agreement**”).

Under the terms of the Buying Agreement, ARCS was given responsibility for raising and making payment for orders delivered (pursuant to the requirements of both parties), liaising with suppliers (to ensure the smooth progress of orders) and arranging shipping, insurance, customs clearance, payment of duty (if applicable), quality control costs and the content of shipping containers. The parties agreed that JEB would take responsibility for the design of all packaging and labelling on products ordered. JEB was also permitted to recommend a retail price for all products purchased pursuant to the Buying Agreement, however neither party is obliged to follow this recommendation.

On delivery of any stock to it, ARCS is permitted four days in which to pick and repack all goods delivered for onward shipping to JEB's individual stores before invoicing it for the cost of goods delivered for payment within seven working days. The parties were also required to agree a breakdown and allocation of costs for freight, insurance, customs duty, quality control, agent's costs (if applicable) and foreign exchange payments.

In addition, as consideration for the services provided by ARCS under the agreement, JEB agreed to pay ARCS a fee equivalent to 7 per cent. of all goods purchased by it. Onward delivery charge by night freight was to be included in this percentage, which may be varied by the agreement of both parties to meet cost recovery by ARCS.

(g) *ARCS buying outsourcing and transfer arrangements*

Under the terms of an agreement which took effect on 1 February 2011 between JEB and ARCS (the “**Outsourcing Agreement**”), ARCS agreed to transfer all its buying functions associated with the Westgate department stores (excluding those in respect of furniture, electrical items and concessions) and any employees who worked previously in ARCS' buying

teams to JEB. The Outsourcing Agreement will operate until Completion or until the Acquisition Agreement is otherwise terminated.

Under the Outsourcing Agreement, ARCS fully indemnifies JEB in relation to all additional employment costs incurred by it during the operation of the agreement and all costs (if any) associated with the giving by JEB of any notice period and the making by JEB of any redundancies (whether in respect of the JEB buying team employees or the ARCS buying team employees whose employment was transferred to JEB) which result from Completion or termination of the Acquisition Agreement.

In consideration of the performance by JEB of its obligations under the Outsourcing Agreement, ARCS also agreed to pay JEB a consultancy fee based on certain additional employment costs incurred by it and a fixed monthly management fee of £10,000.

Under the terms of the Outsourcing Agreement, ARCS was to remain responsible for all store layouts, buying team administration functions, marketing, stock management and supplier and concession payments. ARCS was also required to provide to JEB such office space as may be required by it at no cost; any information required by the buying team of JEB and any access to the Target Stores reasonably required by JEB to properly perform its functions under the Outsourcing Agreement.

12.2. *The Business*

ARCS has not, in respect of the Target Stores, entered into any contract (other than contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document which is or may be material or at any time which contains provisions under which the Business has any obligation or entitlement which is material to it as at the date of this document and which, in either case, will transfer to JEB under the terms of the Acquisition Agreement.

13. *Litigation*

- 13.1. The Company is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had, in the recent past (including at least the twelve months immediately preceding the date of this document) a significant effect on the financial position or profitability of the Company and/or the Group.
- 13.2. The Company is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had, in the recent past (including at least the twelve months immediately preceding the date of this document) a significant effect on the financial position or profitability of the Business.

14. *Subsidiaries*

- 14.1. The Company acts as the holding company of the Group, the principal activity of which is the operation of department stores across the United Kingdom.
- 14.2. As at 19 April 2011 (being the latest practicable date prior to the date of publication of this document), the Company has only one significant non-dormant subsidiary undertaking, JEB, which is a public limited company incorporated on 1 February 1912 with registered number 00120002 under the Companies (Consolidation) Act 1908 in England and Wales and wholly owned by the Company. JEB trades as a department store retailer and under the trading names “Beales” in Bedford, Bournemouth, Horsham, Kendal, Poole, Tonbridge, Winchester and Worthing; as “Broadbents & Boothroyds” in Southport; as “Denners” in Yeovil; as “Robbs” in Hexham; and as “Whitakers” in Bolton and Rochdale.

15. Property and Environment

- 15.1. The Group's head and principal executive offices are located at The Granville Chambers, 21 Richmond Hill, Bournemouth, Dorset BH2 6BJ. The Group leases its executive offices in Bournemouth, its warehouse in Poole and its stores (with the exception of parts of the Bedford, Kendal and Yeovil stores).
- 15.2. Lease terms are typically between five and 99 years, with rent reviews at intervals between one and five years based on an assessment of the open market rental value of the property at the time of the review. None of the department store leases has a fixed escalation clause. In general, these leases contain industry standard terms, including requirements that the Group bears the cost of repairs and insurance for the leased premises. Some of these leases contain clauses that require the Group to keep its stores open during the term of the lease. Some leases also provide for an additional turnover based rent to be paid. The Group is likely to lease any new store properties sought by it after Completion.
- 15.3. The following are the principal properties occupied by the Group:

<i>Property</i>	<i>Tenure</i>	<i>Approximate trading square footage (if applicable)</i>	<i>Expiry date</i>	<i>Use</i>
The Granville Chambers 21 Richmond Hill Bournemouth BH2 6BJ	Leasehold	N/A	31 December 2017	Head office
545 Wallisdown Road, Poole BH12 5JB	Leasehold	N/A	1 March 2013	Warehouse
OPP 44, Central Street, Bolton BL1 2AB	Leasehold	N/A	N/A	Warehouse
Harpur Street/ Silver Street, Bedford MK40 1PE	Freehold Part leasehold	25,000	N/A 28 September 2014	Department store
Old Christchurch Road, Bournemouth BH1 1LJ	Leasehold	79,000	20 January 2023	Department store
The Forum, Horsham RH12 1PQ	Leasehold	33,000	31 May 2031	Department store
Finkle Street, Kendal LA9 4AL	Freehold Part leasehold	24,000	N/A 3 February 2021	Department store
Dolphin Centre, Poole BH15 1SQ	Leasehold	44,000	15 March 2067	Department store
Angel Centre, Tonbridge TN9 1SF	Leasehold	37,000	23 June 2031	Department store
The Brooks, Winchester SO23 8TL	Leasehold	19,000	21 January 2021	Department store
South Street, Worthing BN11 3AN	Leasehold	56,000	10 March 2027	Department store
Deansgate, Bolton BL1 1HE	Leasehold	55,000	10 March 2021/ 6 November 2029	Department store
Lord Square, Rochdale OL16 1ED	Leasehold	30,000	4 September 2035	Department store

<i>Property</i>	<i>Tenure</i>	<i>Approximate trading square footage (if applicable)</i>	<i>Expiry date</i>	<i>Use</i>
Lord Street, Southport PR8 1NY	Leasehold	34,000	28 September 2025	Department store
High Street, Yeovil BA20 1RU	Freehold Part leasehold	54,000	N/A 23 September 2020/ 24 March 2030	Department store
Fore Street, Hexham NE46 1NA	Leasehold	65,000	1 August 2025	Department store

Note:

Total rents payable in the year ended 30 October 2010 on the above properties amounted to approximately £4.19 million. Rents receivable in the year ended 30 October 2010 from these properties were £145,000.

- 15.4. Details of the properties occupied by the Business are provided in the table which appears in section 1 of Part IX of this document.
- 15.5. The Company is not aware of any environmental issues which may affect the Enlarged Group's utilisation of its tangible fixed assets.

16. Pension schemes

The Group operates, through its main trading subsidiary JEB, two defined benefit type pension schemes, being the Beale pension scheme (the “**Beale Scheme**”) and the Denners pension scheme (the “**Denners Scheme**”), the assets of each of which are held in separate trustee-administered funds and are independent of the Group's finances.

The Denners Scheme was closed to new entrants and future accrual on 30 June 1999 following the acquisition by the Group of Denners Limited. The employees of Denners Limited were offered the opportunity to transfer into the Beale Scheme with effect from 1 July 1999 and certain employees opted to do so. The Beale Scheme was then closed for future service accrual from 30 April 2009, having been closed to new entrants on 6 April 1997.

The Beale Scheme has two sections, one providing benefits on a defined benefit basis with a money purchase underpin and the other on a defined contribution basis. New entrants to the scheme after 6 April 1997 and final salary actives who ceased accruing pension in the final salary section as of 30 April 2009 were invited to join the defined contribution section from that date.

The closure of the Beale Scheme and the Denners Scheme to future accrual does not affect the pensions of those who retired, or the deferred benefits of those who left service or opted out, before 1 May 2009 and 1 July 1999 respectively. The Group offers all new qualifying employees the opportunity to join the defined contribution section of the Beale Scheme.

The Group agreed to contribute approximately £1.55 million per annum from 1 May 2010 to fund past service benefits in the Beale Scheme and to contribute £6,000 per calendar month from 1 November 2006 to fund past service benefits in the Denners Scheme. From 1 March 2011, no further contributions are payable in relation to the Denners Scheme. The estimated amount of contributions expected to be paid to the Beale Scheme and the Denners Scheme during the year ending 29 October 2011 in respect of final salary benefits is £1,574,004. The Group has also funded all administrative expenses in relation to the Denners Scheme and the Pension Protection Fund levy expenses in relation to the Beale Scheme. Group contributions to the defined contribution section of the Beale Scheme totalled £212,000 for the year ended 30 October 2010.

The pension cost of the Beale Scheme and the Denners Scheme is assessed every three years in accordance with the advice of a qualified actuary. The most recent triennial valuation of the Beale Scheme for funding purposes was performed as at 3 November 2007 and has been updated and measured using the projected unit

credit method at each relevant financial year end for the purposes of IAS 19 “Employee Benefits” (as revised in December 2004) by Mercer, a professionally qualified independent consulting actuary. The Beale Scheme was assessed to have an IAS 19 deficit of £2.90 million as at the year ended 30 October 2010. Under the current schedule of contributions and recovery plan agreed with the trustees of the Beale Scheme, JEB aims to eliminate the current deficit by February 2016. The Group monitors funding levels annually and the funding schedule is reviewed between the Group and the trustees every three years, based on actuarial valuations. The next triennial valuation will be drawn up as at 30 October 2010. Agreement as to that valuation and a new schedule of contributions is required to be reached by January 2012. 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 Scheme for funding purposes was performed as at 1 November 2008 and has been updated and measured using the projected unit credit method at each relevant financial year end for the purposes of IAS 19 “Employee Benefits” (as revised in December 2004) by Legal & General, a professionally qualified independent consulting actuary. The Denners Scheme was assessed to have an IAS 19 surplus of £0.40 million as at the year ended 30 October 2010. Under the current schedule of contributions and recovery plan agreed with the trustees of the Denners Scheme, JEB eliminated the current deficit in February 2011 and under the terms of the most recent triennial valuation, no further contributions are due. The Group monitors funding levels annually and the funding schedule is reviewed between the Group and the trustees every three years, based on actuarial valuations. The next triennial valuation will be drawn up as at 29 October 2011. Agreement as to that valuation and a new schedule of contributions (if any) is required to be reached by January 2013. The Group considers that the contribution rates agreed with the trustees are sufficient to maintain an appropriate funding position over the agreed period.

Because of changing market and economic conditions, the expenses and liabilities actually arising under the Beale Scheme and the Denners Scheme in the future may differ materially from the estimates made on the basis of these actuarial assumptions. Declining returns on equity markets and the markets for fixed-income instruments could necessitate additional contributions to the schemes in order to cover future pension obligations. Higher or lower withdrawal rates or longer or shorter lives of participants may have an impact on the amount of pension income or expense recorded in the future.

The Beale Scheme has approximately 261 deferred and 426 pensioner members. The Denners Scheme has approximately 49 deferred and 47 pensioner members. The defined contribution section of the Beale Scheme has 256 active members and 208 deferred members.

17. Working capital

- 17.1. The Company is of the opinion that, after taking into account the bank facilities available to it, the proceeds of the Term Loan and the issue by it of the Preference Shares and the £2.3 million cash contribution payable to the Group by ARCS on Completion under the Acquisition Agreement, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

18. Dividend policy

- 18.1. The Board has adopted a policy of paying dividends only when justified by the profits of the Company and so as to have proper regard to the need to maintain sufficient levels of distributable reserves and funds available for the Group’s working capital and growth plans. No dividends were paid by the Company in any of the financial years ended 1 November 2008, 31 October 2009 or 30 October 2010.
- 18.2. The Board does not expect that the dividend policy of the Company will change materially following the Proposed Acquisition.
- 18.3. However, the Board considers that a significant trading improvement will be necessary before the payment of dividends is resumed. In addition, with effect from the date falling five years after Completion, Beale will (to the extent they remain in issue) be required to pay dividends on the

Preference Shares and will, under the provisions of the Term Loan Agreement, be restricted from paying interim or final dividends on the Ordinary Shares prior to it having made in any particular year all repayments of the Term Loan required to be made by it pursuant to the Term Loan Agreement and having paid all dividends due on, and made all redemptions of, the Preference Shares provided for under the New Articles. The payment of any final dividend will in any event be subject to the approval of Shareholders at a general meeting.

Under current UK tax law, the Company will not be required to withhold tax at source from any dividend payments it may make. Liability to tax on dividends will depend on the individual circumstances of the Shareholder.

19. No significant change

- 19.1. There has been no significant change in the financial or trading position of the Group since 30 October 2010, being the date to which the last audited consolidated financial statements of the Group, which have been incorporated by reference into this document, were prepared save (i) as disclosed in the interim management statement of the Company released on 17 March 2011 which is set out on page 30 of this document where it was announced that trading had been affected by adverse weather conditions prior to Christmas 2010 (which is an important trading period for the Group); (ii) for the reduction in net bank indebtedness of the Group from £8.1 million as at 30 October 2010 to £7.35 million as at 2 April 2011 as set out in paragraph 5 in Part IV of this document arising from seasonal movements in working capital; and (iii) for the incurring of professional fees and expenses of approximately £1.3 million (plus VAT) associated with the Proposed Acquisition.
- 19.2. There has been no significant change in the financial or trading position of the Business since 22 January 2011 being the date to which the historical financial information on the Business set out in Part VII was prepared.
- 19.3. Other than as set out in paragraphs 19.1 and 19.2 above, there has been no significant change in the financial or trading position of the Enlarged Group since 30 October 2010, being the date to which the last audited consolidated financial statements of the Group, which have been incorporated by reference into this document, were prepared.

20. Related party transactions

- 20.1. There have been no related party transactions concerning the Group during the financial years ended on 30 October 2010, 31 October 2009 and 1 November 2008 or in the period between 1 November 2010 and 19 April 2011 (being the latest practicable date prior to the date of publication of this document).
- 20.2. Save as disclosed on page 77, there have been no related party transactions concerning the Business during the financial years ended on 6 September 2008, 5 September 2009 and 4 September 2010 or in the period between 5 September 2010 and 19 April 2011 (being the latest practicable date prior to the date of publication of this document).

21. Miscellaneous

- 21.1. The total costs and expenses of, and incidental to, the Proposed Acquisition and Readmission payable by the Company are estimated to amount to approximately £1.3 million (excluding VAT).
- 21.2. The Board does not believe that there are any patents, licences, contracts or processes which are of fundamental importance to the Group's business or profitability. The Group has not implemented any research and development policies in the three years preceding the date of this document, nor have any funds been spent on research and development activities sponsored by the Group.
- 21.3. Save for the Proposed Acquisition, there are no investments in progress which are significant to the Group.

- 21.4. Shore Capital has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the form and context in which they appear.
- 21.5. Deloitte LLP, Chartered Accountants and independent auditors, regulated by the Institute of Chartered Accountants in England and Wales, has given and not withdrawn its written consent to the inclusion in this document of its report on the pro forma financial information set out in Part VIII of this document in the form and context in which it appears and has authorised the contents of its report for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.
- 21.6. KPMG LLP, Chartered Accountants and independent auditors, regulated by the Institute of Chartered Accountants in England and Wales, has given and not withdrawn its written consent to the inclusion in this document of its report on the historical financial information on the Business set out in Part VII of this document in the form and context in which it appears and has authorised the contents of its report for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.
- 21.7. The financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the 2006 Act. Deloitte LLP, Chartered Accountants and independent auditors, regulated by the Institute of Chartered Accountants in England and Wales, of Mountbatten House, 1 Grosvenor Square, Southampton SO15 2BZ audited the statutory accounts of the Group for the years ended 30 October 2010, 31 October 2009 and 1 November 2008 and gave reports under Chapter 3 Part 16 of the 2006 Act (in respect of the 52 weeks ended 30 October 2010 and 31 October 2009) and section 235 of the 1985 Act (in respect of the 52 weeks ended 1 November 2008). The reports for the 52 weeks ended 30 October 2010 and 31 October 2009 were not qualified and did not contain any statement as is required under section 498(2) or (3) of the 2006 Act. The report for the 52 weeks ended 1 November 2008 did not contain any such statement under section 237(2) or (3) of the 1985 Act, however it did include an emphasis of matter paragraph in relation to a material uncertainty.
- 21.8. Certain information has been obtained from external publications and third parties and is sourced in this document where the information is included. The Company confirms that this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by applicable third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.
- 21.9. The Ordinary Shares are in registered form and are capable of being held in certificated and uncertificated form (that is, in CREST). Title to certificated Ordinary Shares is evidenced by entry in the register of members of the Company which is maintained by Capita Registrars and title to uncertificated Ordinary Shares is evidenced by entry in the operator register maintained by Euroclear UK & Ireland Limited (which forms part of the register of members of the Company). The Ordinary Shares are denominated in sterling and admitted with the ISIN code GB0002559291.
- 21.10. None of the Preference Shares have been marketed or are available in whole or in part to the public.
- 21.11. The Company will make appropriate announcements to a Regulatory Information Service giving details of the results of the Extraordinary General Meeting and Completion on or about 17 May 2011 and 24 May 2011 respectively.
- 21.12. The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561 of the 2006 Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees pursuant to an employee's share scheme (as defined in section 1166 of the 2006 Act).

22. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sunday and public holidays excepted) at the registered office of the Company, which is located at The Granville Chambers, 21 Richmond Hill, Bournemouth, Dorset BH2 6BJ and at the offices of

Blake Laphorn, which are located at Watchmaker Court, 33 St John's Lane, London EC1M 4DB, from the date of this document to and including the date of Readmission:

- (a) the memorandum of association of the Company and the Existing Articles;
- (b) the New Articles;
- (c) the Company's 2008 Annual Report and Accounts, 2009 Annual Report and Accounts and 2010 Annual Report and Accounts;
- (d) the 2010 interim report and the 2009 interim report;
- (e) each of the material contracts referred to in paragraph 12.1 above and the Introduction Agreement, Acquisition Agreement, Term Loan Agreement, IT Services Agreement and NED Agreement;
- (f) the rules of the Performance Share Plan;
- (g) the Directors' service contracts and letters of appointment referred to in paragraph 7.3 above;
- (h) the letters of consent referred to in paragraph 21 above; and
- (i) this document and the Form of Proxy.

23. Availability of this document

A copy of this document may be inspected at the Financial Services Authority's National Storage Mechanism located at www.hemscott.com/nsm.do and copies are also available for collection free of charge from the offices of Shore Capital.

Dated: 20 April 2011

PART XI

DOCUMENTS INCORPORATED BY REFERENCE

The following documentation, which was sent to Shareholders at the relevant time and/or is available for inspection in accordance with paragraph 22 of Part X of this document, contains information which is relevant to the Proposed Acquisition. This information has been extracted without material adjustment.

The tables below set out the sections of those documents which contain information incorporated by reference into, and forming part of, this document. Only information contained in those parts of the documents identified in the list below is incorporated into and forms part of this document. Information in other parts of those documents is either covered elsewhere in this document or is not relevant to a prospective investor's or Shareholder's assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the Ordinary Shares. Shareholders and prospective investors should, therefore, ignore cross references in those parts of the documents listed below to parts of the documents not so listed.

FINANCIAL INFORMATION FOR FINANCIAL YEAR ENDED 30 OCTOBER 2010

Reference document: Beale PLC Annual Report and Financial Statements 2010

<i>Information incorporated by reference</i>	<i>Page number in reference document</i>
Independent Auditors' Report	16-17
Consolidated Income Statement	18
Consolidated Statement of Changes In Equity	21
Consolidated Balance Sheet	19
Company Balance Sheet	20
Consolidated Cash Flow Statement	22
Company Cash Flow Statement	23
Notes to the Financial Statements	24-53
Board Report on Directors' Remuneration	54-58

FINANCIAL INFORMATION FOR FINANCIAL YEAR ENDED 31 OCTOBER 2009

Reference document: Beale PLC Annual Report and Financial Statements 2009

<i>Information incorporated by reference</i>	<i>Page number in reference document</i>
Independent Auditors' Report	17
Consolidated Income Statement	19
Consolidated Balance Sheet	20
Company Balance Sheet	21
Consolidated Cash Flow Statement	23
Company Cash Flow Statement	24
Shareholders' Equity – Note 21	22
Notes to the Financial Statements	25-49
Board Report on Directors' Remuneration	50-54

FINANCIAL INFORMATION FOR FINANCIAL YEAR ENDED 1 NOVEMBER 2008

Reference document: Beale PLC Annual Report and Financial Statements 2008

<i>Information incorporated by reference</i>	<i>Page number in reference document</i>
Independent Auditors' Report	16-17
Consolidated Income Statement	22
Consolidated Balance Sheet	23
Company Balance Sheet	24
Consolidated Cash Flow Statement	26
Company Cash Flow Statement	26
Shareholders' Funds – Note 20	46
Notes to the Financial Statements	27-53
Board Report on Directors' Remuneration	54-57

Any information that is itself incorporated by reference in the above documents is not incorporated by reference in this document. These documents may be inspected at the Financial Services Authority's National Storage Mechanism located at www.hemscott.com/nsm.do.

PART XII

NOTICE OF EXTRAORDINARY GENERAL MEETING

BEALE PLC

(Incorporated and registered in England and Wales with registered number 2755125)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of Beale PLC (the “**Company**”) will be held at the Norfolk Royale Hotel, Richmond Hill, Bournemouth BH2 6EN at 11.00 a.m. on 17 May 2011 for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 3 (inclusive) will be proposed as ordinary resolutions and resolutions 4 and 5 will be proposed as special resolutions:

Ordinary Resolutions

1. THAT the proposed acquisition by J E Beale Public Limited Company in accordance with and subject to the terms of the acquisition agreement dated 5 April 2011 (the “**Agreement**”) described in the combined circular to shareholders and prospectus dated 20 April 2011 (the “**Circular**”) of which this notice forms part, be and is hereby approved, subject to such variations (being in the opinion of the directors variations which are not of a material nature) to the terms and conditions thereof as the directors shall, in their discretion, think fit.
2. THAT in addition to the authority conferred by an ordinary resolution of the Company passed on 17 March 2011, the directors be hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the “**Act**”) to allot shares in the Company up to an aggregate nominal value of £8,500,000 pursuant to or in connection with the allotment of up to 8,500,000 new redeemable preference shares of £1.00 each in the capital of the Company to Anglia Regional Co-operative Society Limited (“**ARCS**”) in connection with the Proposed Acquisition (as defined and described in the Circular), such shares having the rights and being subject to the restrictions set out in the Company’s new articles of association proposed to be adopted pursuant to resolution 5 below (the “**Preference Shares**”). Such authority, unless previously renewed, extended, varied or revoked by the Company in general meeting, shall expire on the first anniversary of the date on which this resolution is passed.
3. THAT:
 - (a) the Beale PLC Performance Share Plan 2011 (the “**PSP**”) be and is hereby approved and approval be and is hereby given for the adoption by the Company of the PSP, the principal features of which are summarised in the Circular and that the rules of such plan be substantially in the same form as the draft rules produced to the meeting and signed by the Chairman for the purposes of identification; and
 - (b) the directors be and are hereby authorised:
 - (i) to do all other acts and things necessary to carry the PSP into effect; and
 - (ii) to vote as directors on any matter connected with the PSP notwithstanding that they may be interested in the same and any prohibition on interested directors voting contained in the articles of association of the Company be and is hereby suspended to that extent, except that no director shall vote on any resolution concerning his own participation in such plan or be counted in the quorum for the consideration of any such resolution.

Special Resolutions

4. THAT, subject to and conditional upon the passing of resolution 2 above, in addition to the authority conferred by a special resolution of the Company passed on 17 March 2011, the directors be empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560(1) of the Act) which are the subject of the authority granted by resolution 2 for cash, as if section 561(1) of the Act did not apply to any such allotments. Such authority, unless previously renewed, extended, varied or revoked by the Company in general meeting, shall expire on the first anniversary of the date on which this resolution is passed.
5. THAT, subject to and conditional upon the passing of resolutions 1, 2 and 4 above:
 - (a) the articles of association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Act, are to be treated as provisions of the Company's articles of association; and
 - (b) the articles of association contained in the document produced to the meeting and signed by the Chairman for the purposes of identification be approved and immediately adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

Dated: 20 April 2011

By order of the Board

Chris Varley
Company Secretary

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

Notes

1. As at 19 April 2011 (being the latest practicable date before publication of this notice), the issued share capital of the Company comprised 20,524,797 ordinary shares of 5 pence each ("**Ordinary Shares**"). Each Ordinary Share carries one vote and the total number of voting rights was therefore 20,524,797. There are no Ordinary Shares held by the Company in treasury.
2. Shareholders entitled to attend and vote at the extraordinary general meeting are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting and at any adjournment of it. A form of proxy for use by shareholders is enclosed with this notice. 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 a different share or shares held by that shareholder. To appoint more than one proxy, you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of Ordinary Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Ordinary Shares held by you). A proxy need not be a member of the Company. Members may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. Details of how to appoint the Chairman of the meeting or another person as your proxy are set out in the notes to the form of proxy. If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact the Company Secretary on 01202 552 022.
4. To be valid any form of proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 11.00 a.m. on 15 May 2011, together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a duly certified copy of that power or authority.
5. The return of a completed form of proxy, other such instrument or any CREST proxy instruction (as described in paragraph 11 below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so. 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.
6. 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).
7. 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:

- 7.1 answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- 7.2 the answer has already been given on a website in the form of an answer to a question; or
- 7.3 it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution, however, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
9. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 11.00 a.m. on 15 May 2011 (or, in the event of any adjournment, 11.00 a.m. on the date which is two days (excluding non-working days) before the time of the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the meeting.
10. 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 such proxy appointment right or 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 paragraph 2 does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.
11. 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. 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. Please note the following:
- 11.1 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 of extraordinary general meeting. 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 CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- 11.2 CREST members and, where applicable, their CREST sponsors or voting service providers 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.
- 11.3 The Company may treat as invalid a CREST proxy instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. A copy of the Agreement, the rules of the PSP and the proposed new articles of association of the Company will be available for inspection during normal business hours on any weekday (Saturday, Sunday and public holidays excepted) at the registered office of the Company from the date of this notice to and including the date of the extraordinary general meeting and at such meeting for at least 15 minutes before and during the meeting.
13. Further information regarding the meeting, including the information required by section 311A of the Act, is available from www.beales.co.uk.

PART XIII

DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

“1985 Act”	the Companies Act 1985, as amended and for the time being in force
“2006 Act”	the Companies Act 2006, as amended
“Acquisition Agreement”	the conditional agreement to effect the Proposed Acquisition dated 5 April 2011 between ARCS, Westgate, JEB and the Company, a summary of which is set out in Part IX of this document
“ARCS”	Anglia Regional Co-operative Society Limited
“ARCS Group”	ARCS and its subsidiaries and any holding companies as at the date of this document
“Audit Committee”	the audit committee of the Board
“Beale” or “Company”	Beale PLC
“Beale Group” or “Group”	the Company and its subsidiaries as at the date of this document
“Business”	the department store businesses operated by ARCS from the Target Stores and a related warehouse operation
“business day”	any day, other than a Saturday or a Sunday, on which banks are open for general business in London
“Capita Registrars” or “Registrar”	Capita Registrars Limited
“certificated” or “in certificated form”	a share or other security, title to which is recorded in the relevant register of the share or security as being held in certificated form (that is, not in CREST)
“City Code”	the UK City Code on Takeovers and Mergers
“Completion”	completion of the Proposed Acquisition in accordance with the Acquisition Agreement on or about 8.30 a.m. on 22 May 2011 or, if the condition to completion contained therein has not been satisfied on or before 20 May 2011, such later date (if any) being the first Sunday falling after satisfaction thereof
“Completion Date”	the date on which Completion takes place
“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations)
“CREST Regulations” or “Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001/3755), as amended from time to time
“Daily Official List”	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
“Directors” or the “Board”	the directors of the Company as at the date of this document, whose names are set out on page 21

“Disclosure and Transparency Rules” or “DTRs”	the rules relating to the disclosure of information made in accordance with section 73A(3) of FSMA
“EEA”	the European Economic Area
“Effective Date”	the second business day immediately following Completion which, subject to the satisfaction of certain conditions, is expected to occur on 24 May 2011
“Enlarged Group”	the Group as enlarged by the Proposed Acquisition
“EPoS”	an electronic point of sale till system used by retailers
“Existing Articles”	the existing articles of association of the Company adopted on 3 March 1995
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of Shareholders convened for 11.00 a.m. on 17 May 2011 to consider and, if thought fit, approve the Resolutions or any adjournment thereof
“Form of Proxy”	the form of proxy accompanying this document for use in connection with the Extraordinary General Meeting
“FSA”	the United Kingdom Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Governance Code”	the UK Corporate Governance Code published in June 2010 by the Financial Reporting Council as amended from time to time
“HMRC”	HM Revenue & Customs
“HSBC”	HSBC Bank plc
“IFRS”	International Financial Reporting Standards
“Introduction Agreement”	the introduction agreement dated 20 April 2011 between the Company and Shore Capital, a summary of which is set out in paragraph 12 of Part X of this document
“ISIN”	the international code for a listed security
“IT Services Agreement”	an agreement for the provision of various IT support services to be entered into between ARCS and JEB on Completion, a summary of which is set out in Part IX of this document
“JEB”	J E Beale Public Limited Company, the principal trading subsidiary of the Company
“Listing Rules”	the rules and regulations made by the UKLA pursuant to Part IV of FSMA, as amended from time to time
“London Stock Exchange”	London Stock Exchange plc
“NED Agreement”	the agreement, a summary of which is set out in Part IX of this document, to be entered into between ARCS and Beale on Completion pursuant to which ARCS will (subject to the terms thereof) be entitled to appoint a director to the Board and to the board of directors of JEB

“New Articles”	the new articles of association of the Company proposed to be adopted at the Extraordinary General Meeting, a summary of which is set out in paragraph 5 of Part X of this document
“Nomination Committee”	the nomination committee of the Board
“Notice” or “Notice of Extraordinary General Meeting”	the notice convening the Extraordinary General Meeting set out on pages 140 to 142 of this document
“Official List”	the official list maintained by the UKLA pursuant to Part IV of FSMA
“Ordinary Shares”	ordinary shares of 5 pence each in the capital of the Company
“Performance Share Plan”	the Beale PLC Performance Share Plan 2011, a summary of which is set out in paragraph 6.2 of Part X of this document
“Preference Shares”	unlisted redeemable preference shares of £1.00 each in the capital of the Company, such shares having the rights and being subject to the restrictions summarised in paragraph 4.5 of Part X of this document and set out in the New Articles
“Proposed Acquisition”	the proposed acquisition by JEB of the Business in accordance with the terms set out in the Acquisition Agreement
“Prospectus”	this document dated 20 April 2011, comprising a combined shareholder circular and prospectus relating to the Company, the Enlarged Group and the relisting of the Ordinary Shares on the Official List (together with any supplements or amendments thereto)
“Prospectus Rules”	the rules made for the purposes of Part VI of FSMA relating to offers of securities to the public and the admission of securities to trading on a regulated market
“Readmission”	readmission by the UKLA of the Ordinary Shares to listing on the Official List and to trading on the London Stock Exchange becoming effective
“Registrar of Companies”	the Registrar of Companies in England and Wales, within the meaning of the 2006 Act
“Regulatory Information Service”	a regulatory information service approved by the FSA and that is on the list of regulatory information service providers maintained by it
“Remuneration Committee”	the remuneration committee of the Board
“Resolutions”	the ordinary and special resolutions to be proposed at the Extraordinary General Meeting, which are set out in the Notice of Extraordinary General Meeting and “Resolution” means any one of them
“Shareholders”	holders of Ordinary Shares and “Shareholder” means any one of them
“Shore Capital” or “SCC”	Shore Capital and Corporate Limited, sponsor and financial adviser to the Company
“Shore Capital Stockbrokers”	Shore Capital Stockbrokers Limited

“Target Stores”	the 19 department store businesses located in Abingdon, Beccles, Bishop Auckland, Chipping Norton, Cinderford, Diss, Harrogate, Keighley, Kings Lynn, Lowestoft, Mansfield, Peterborough, Redcar, Saffron Walden, Spalding, St. Neots, Skegness, Skipton and Wisbech proposed to be acquired by JEB from ARCS pursuant to the Acquisition Agreement
“Term Loan”	the unsecured £2.5 million term loan to be provided by ARCS to JEB
“Term Loan Agreement”	the agreement, a summary of which is set out in Part IX of this document, dated 5 April 2011 between ARCS, JEB and the Company pursuant to which the Term Loan will be made available
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“uncertificated” or “in uncertificated form”	a share or other security, title to which is recorded in the relevant register of the share or security as being held in uncertificated form, in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US Securities Act”	the US Securities Act 1933, as amended and the rules and regulations promulgated thereunder
“Westgate”	Westgate Properties (Anglia) Limited, a subsidiary of ARCS

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.