BEALES

SINCE 1881

Annual Report and Accounts

For the 52 weeks ended 2 November 2013

At your service for over a hundred years

Stock code: BAE

Annual Snapshot

Beale PLC

YEAR END 2013 (52 weeks)

Number of Stores	30
Trading Sq Footage	963,000
Gross Sales £000	120,526
Revenue £000	64,098
Net Exceptional Expense £000	800
Operating Loss before exceptionals £000	2,397
Loss before tax £000	3,985
Loss per share	(18.9)p
Net Assets per share	36.0p

YEAR END 2012 (53 weeks)

Number of Stores	32
Trading Sq Footage	1,023,000
Gross Sales £000	135,549
Revenue £000	74,609
Net Exceptional Expense £000	2,082
Operating Loss before exceptionals £000	2,936
Loss before tax £000	5,750
Loss per share	(28.3)p
Net Assets per share	46.4p

Beales Online

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

www.beales.co.uk

Welcome to Beales

Founded in 1881, today we operate a Group of distinctive department stores across the country, from Hexham in the North to Bournemouth in the South.

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

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

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

Contents

Group Strategic Report

Beales ambition is to be the local high street department store of choice securing repeat business by offering the highest possible customer service and aligned to absolute fiscal responsibility; the foundation of all successful businesses.

What we do and where we do it?

About the Group

Founded in 1881, today Beales operate a Group of 30 distinctive department stores, predominantly in secondary and tertiary market towns, across the country, from Hexham in the North, Bournemouth in the South, Lowestoft in the East and Southport in the West.

Its revenue is derived through selling product it has bought for resale, both food and non-food, and taking a commission on product and services sold by concessions selling their own product and services, both food and non-food.

In its simplest form, the objective of Beales is to provide a quality mix of both branded and own branded product and services to the **local community**, giving exemplary traditional local customer service, selling at a higher price to that which it was bought and operating the business at the most cost effective level possible. Beales offers branded, functional and aspirational merchandise and services for men, women and the home, tailored to the individual requirements in each locality of our customers, the discerning ABC1 consumer, who is seeking quality, style and value for money.

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Beales offers a loyalty card scheme, Love Rewards, which it launched in May 2012 and now has close to 350,000 members.

Beales can be summarised as a business which is 'asset rich', i.e. it owns £12.4m of property assets and £15.2m of stock, yet 'cash poor', i.e. it has £14.8m of net debt and has produced net trading cash outflows for a number of years. Since Michael Hitchcock joined the business, first as interim CFO in June 2012, before stepping up to CEO, the business has been in turnaround. Significant steps have been taken to exploit the ownership of material freehold assets and stock by refinancing the debt at materially lower financing costs, closing business units that utilised significant cash resources, reorganising internal structures to make processes more efficient and cost effective and closed operating units that were not commercial or economically viable.

At the same time, Beales has exited loss making categories, i.e. TV/Audio and mitigated the failures of certain concession brands by actively seeking more robustly funded concession partners, following the collapse of certain concession partners. Beales will continue to reshape the mix of products and brands to ensure it meets the objective of being the local high street department store of choice.

Beales intends to exploit its position in the predominantly secondary and tertiary high street locations where it trades and actively work with the **local community** to bring the customers back onto the high street. Collaborating with local councils and local Business Improvement Districts will ensure that Beales plays its own part in the rejuvenation of the UK's High Streets. Occupying one of the biggest sites, if not the biggest site in these high streets, provides the opportunity for brands, new, re-emerging or traditional, to enter, return or remain respectively, on the high street at minimal risk.

Strategy

The ongoing strategy for Beales turnaround is to continue with the following initiatives:

1. Exit operating units that are not commercial or economically viable.
2. Exit concession brands that are not commercial or economically viable.
3. Exit categories that are not commercial or economically viable.
4. Introduce new products and categories to fulfil the objective of **being the local high street department store** of choice.
5. Continue the extensive cultural change within the business to ensure the customer interests are always the top priority for every employee.
6. Continue the reorganisation of internal structures to make processes more efficient and cost effective.
7. Secure continued ongoing funding to ensure Beales remains a going concern, through collaborating with Beales existing lender and major stakeholders and using the material assets it owns.

and to instigate the following initiatives:

1. Position Beales at the heart of the **community** it trades in, by turning over excess space for **community** use.
2. Leverage the considerable talent and resource it has at the centre, to offer management services to other independent department stores around the UK.
3. Utilise the material freehold and leasehold assets that Beales owns to facilitate the generation of cash to reinvest back into their stores.
4. Build on the more recent investment in Beales' online offer to replicate the in-store experience.
5. Build on the click and collect service it currently provides.
6. Offer training sessions in store to its customers to take advantage of the online offering.

Progress Indicators

Progress will be measured by the financial results of Beales, namely profit making and cash self-sufficiency. As the business turns itself around - execution to the highest standard of the objectives/initiatives listed above will continue to move the business from loss making to profit making, towards cash self-sufficiency and to one which affords growth both organically and through acquisition. Everyday standard retail KPIs such as sales per square foot, average transaction value, gross margin, cost percentages and many more, are constantly referred to as guidance to ensure the critical objectives set out above are achieved.

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000	52 weeks to 29 October 2011 £000
Number of Trading Units	**30**	32	33
Operating loss before exceptional items	**(2,397)**	(2,936)	(3,832)
Loss before interest, tax, depreciation and amortisation and before exceptional items	**(985)**	(1,353)	(2,013)
Net (decrease)/increase in cash and cash equivalents in the period	**(696)**	(289)	272
Net Debt	**(14,846)**	(15,346)	(11,009)

Group Strategic Report continued

Review

Business context:

The current financial year has been one of considerable change for Beales. The year has seen a change of principal lender, change of CEO, change of listing status, change of culture, change of senior personnel, change of trading stance, and the massive business interruption through concession administrations; the business is DIFFERENT. The business is stronger as a result with options to move forward with a greater degree of confidence.

Change in principal lender:

Following a difficult and soft trading pattern in the early Autumn/Winter 2012 season, the need to refinance became a key priority; Beales is an asset rich but cash poor business, Beales needed to find a lender that played to these attributes and not one that took advantage of them. The business successfully refinanced with Burdale Financial Limited ("Burdale") on considerably lower financing costs, significantly less arduous covenant suite and with a far greater degree of flexibility to meet the uncertainties that exist in UK retail.

Change of CEO:

Following the previous CEO's resignation, the Board asked Michael Hitchcock, then Interim CFO to become CEO; the accountabilities and responsibilities of the senior management team were then realigned to ensure the operational decision making was decisive, collaborative and fully aligned. This made the process of change transparent, effective and at pace.

Change of listing status:

In order to help implement a number of potential strategic initiatives more efficiently and cost effectively it became clear that the Group required a greater degree of regulatory flexibility than it had as a company listed on the premium segment of the main market which is subject to the "super-equivalent" provisions of the Listing Rules. Consequently, the Group is required to seek prior shareholder approval in connection with certain transactions including: acquisitions or disposals of assets, lease amendments and/or surrenders that involve the making of significant incentive payments where these exceed certain size criteria and/or involve a transaction with a related party. The requirement to seek shareholder consent with the associated advisory costs and timing implication, which would not be applicable to a company with a standard listing, could act as a barrier to the Group from carrying out a number of important projects that would allow the Group to generate additional funding in a timely and cost effective manner as and when required. As a standard listed company, administrative costs would be reduced generally and certain transactions could be completed in a shorter timescale and at a materially lower expense than under the premium listing regime.

Change of culture:

The business culture moved from one of 'command and control' to one of 'accountability, responsibility and empowerment' in a very short space of time. A closed and re-active culture was replaced with openness, honesty and a proactive culture. The cultural change in the Head Office and the stores is palpable with customers noticing the difference and starting to speak of Beales again in a much more positive light.

Change in senior personnel:

The message was very clear from the outset from the new CEO; the requirements were clearly laid down and individuals had a choice as to whether they bought into those ideals. It was clear that some people could not cope with the pace of change and some people did not have the capacity to meet the high standards the business had now set itself. Up to 50% of store directors were changed in the last nine months of the financial year; a number of the senior team were changed and some roles were altered and aligned to the new way of working.

Change in the trading stance:

The business previously operated a promotional stance known as 'mega'; these were headline promotions offering customers material discounts which, whilst driving sales, did little to drive gross profit. As part of the strategic review of trading the new Executive Directors were aligned and agreed to cease this practice as it had clearly led to the alienation of customers, the alienation of store staff and the loss of concession partners. Management also, early in the financial year, took the decision to come out of the TV/Audio market, which was a loss making product line for the Group. Both these decisions had the effect of lowering sales whilst lifting the gross margin and more importantly protecting the brand equity of Beales.

Business interruption:

Beales business is 45%-50% concession; during the financial year the Group had a number of concession partners which entered administration causing significant and material interruption and disruption to trade, sales and profit. Famous Footwear – shoes; Barretts – shoes; The Floor Company – rugs and carpets; Mostyns – soft furnishings; Montgomery – curtains and soft furnishings. In addition some key women's fashion concessions, representing a material proportion of sales, were over 10% down year on year.

Seizing opportunities:

The Group entered into a transaction regarding the Tonbridge store which had a lease up to June 2031. Under the terms of the agreement with Sainsbury the Group received £1 million in cash on 25 April 2013 and, subject to successful planning and certain other pre-conditions being satisfied, the Group will receive a further £3 million on the lease surrender.

Stronger business:

The business ended the financial year in a far stronger position than it entered. The concession 'mats' are full for the first time in a number of years, the stock is the cleanest it has ever been, the margin in the stock supports the budget gross margin growth (see below) for 2014, the business has a supportive lender who wants to work with the business, the business has closed two non-commercial stores during the year with an option to close eight others in the current financial year, the business has negotiated a £1.1m rent reduction in a key store over three years, and Beales is attracting some key and sought after brands back into its stores. The business has options going forward.

Further progress:

Since the year end, executive management has made further progress to secure the long term viability of Beales. Collaboration amongst all the key stakeholders in the business including, principal lender, shareholders, landlords, suppliers, and pension trustees have all played a cooperative and communicative part in some way to assist the management whilst the business turns itself around. Whilst the specific nature of this assistance is required to remain confidential, the assistance largely takes the form of enhancing cash availability and creating headroom to borrowing facilities in case of negative trading movements. These actions also go a long way to supporting the Board's belief that the Group should be able to operate within its borrowing facilities and the Board has therefore continued to adopt the going concern basis in preparing the annual report and accounts, as detailed in the Financial Review.

Market Overview

The retail sector has borne the brunt of the austerity measures that the country has had to take on in the last few years and this is shown through footfall and LFL sales movements for the sector as a whole. The independent department store sector is under increasing pressure with a number of smaller chains falling into administration as they have been unable to facilitate the access to higher levels of working capital funding.

With this in mind the customers have clearly been seeking out products which come with a promotion and/or a discount; the first rail customers go to in store is increasingly the 'sale' rail. The vagaries of the English weather have also served to make it very difficult, for fashion in particular, to form any sort of normal pattern; warm and wet when fashion dictates it should be cold and dry and cold and dry when fashion dictates it should be warm and wet. Online is becoming an ever more established and greater share of the retail market with huge sums of money being invested to offer an omni-channel route to market.

Principal Risks and Uncertainties

The principal risks and uncertainties have not changed from last year and the Board continues to apply mitigating actions. All retailers face a very challenging and competitive trading environment. Sound risk management is an essential discipline for running the business efficiently.

Is there uncertainty?

Beales, as with all retailers, is highly operationally cost geared, i.e. there are a majority of costs that need to be spent before any sales are made, which means relatively small movements in sales and gross margin can materially affect the profitability of the business, both positively and negatively. To that end and given the absolute levels of losses before interest, tax, depreciation and amortisation generated by Beales, and covenants set based on the trading cash flow of the business, there will always be uncertainty.

What are the risks?

The nature of risk is that no list can be totally comprehensive, though the directors believe the principal risks and uncertainties faced and the mitigating actions taken to manage these risks and uncertainties are as follows:

The single biggest risk is our customers continued slow emergence from the period of austerity that the UK has been through. Beales may have the best looking shops with the best product and the best customer service, but if the customers do not have the increasing free disposable cash, they will not be minded to spend. A slow economic upturn mixed with continuing flagging consumer confidence with the need for increased discounting and promotions adversely impacts on revenues and margins. In mitigation we:

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

Weather plays an important factor in the short term trading of any retailer, particularly those which have a core fashion offer and are dependent upon a 'normal' Spring/Summer and Autumn/Winter weather sequence; the mitigation to this, to an extent, is to adopt a more trans-seasonal product buying strategy.

Concession product or business failure: the last financial year has shown the level of disruption to trading through concession failure and poor product or line failure. These events are synonymous with the prevailing economic state of the nation. The business mitigates the likelihood of these events through careful and considered choice of concession partners.

Group Strategic Report continued

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

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

Cash resources; Beales, being asset rich and cash poor with a material external debt, needs to generate cash through sales. In the event that sales do not meet targets, to ensure that the terms of the external debt are met, other mitigating measures will need to be adopted to generate cash. In mitigation we:

- Maintain a strong relationship with major stakeholders;
- Ensure consistent and disciplined monitoring of working capital; and
- Review the allocation of Group resource and capital investment.

The Group may lose expertise with resignation of key Directors and senior management who are key to delivering success. In mitigation we:

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

The Group has continued to work within its lending facilities. However, the Group is subject to a number of risks and uncertainties, the principal ones being set out above, which we continually review in determining that the Group continues to operate as a going concern. Please refer to the going concern statement on page 40.

Other Key Considerations

Employees

People are at the centre of every retail business and Beales places the highest attention on securing and retaining the best talent open to them. Beales recognises that to ensure repeat business you need the right character of people working in stores. Choice of character in the first instance is a critical recruitment factor going forward.

Beales is continuing its strategy of ensuring that its employees look forward to coming into work. Culturally the business has moved forward massively and this positive momentum will be continued.

There are basic and expected requirements from all our employees, all geared at giving the customers the best customer experience. In turn we strive to give back to our employees career opportunities, training and development, and financial incentives and rewards wherever and whenever possible.

The analysis of gender of our employees at year end is set out below:

	Male	Female
Directors	5	1
Senior Managers	46	83
Employees	228	965
Total	279	1,049

Environment

Beales has an ageing estate which in turn makes energy efficiency challenging; however Beales takes every opportunity to limit the energy it uses, actively monitoring energy use each hour across each building to ensure responsible and efficient use. All locations undertake to recycle materials of every sort wherever possible and to dispose of waste in the proficient and prescribed manner.

Human rights

Beales does not have a specific human rights policy at present but it does have policies representative of human rights principles.

Beales does not have a specific sourcing policy at present but it makes every effort to ensure that where it buys direct, or where it buys through a third party, the rights of all workers are respected.

Beales is an equal opportunities employer and actively seeks to protect the rights of all individuals to be free from discrimination or harassment. It operates a very strict and diligent approach to human rights ensuring each individual has the right and appropriate opportunities afforded to each human being.

Social and community issues

Beales places significant emphasis on the local area it serves. All stores have a chosen local charity which they support in a number of ways and seek to allow local groups to use the store as fund raising venues or provide resources to support local events in the community.

Beales is a huge supporter of the work undertaken by both Mary Portas and Bill Grimsey and wholeheartedly support the initiative to put the high street at the heart of local communities. This forms one strand of the strategy outlined above and adds to the initiatives already being undertaken by Beales, the **'local high street department store'** of choice.

Signed on behalf of the Board

Michael Hitchcock
Chief Executive

Chairman's Statement

Beales is a business in turnaround and I am pleased to report it has made positive progress in 2012/13

Overview

It seems that it is becoming a regular starting point to begin the Chairman's Statement with words to the effect that 'the year has been another tough year for UK retailers' – I make no apologies for saying that 2012/13 was no exception as it has indeed been one of the most challenging years in the retail sector for some time. Although the government statistics tell us that the UK economy has returned to growth, the purchasing power of consumers remains very much under pressure from food shopping prices and energy bills, which have both risen at a much steeper rate than household wages. Belts have to be tightened as there is less disposable income than last year, consequently consumers continue to keep a tight rein on expenditure and consequently confidence is subdued. Beales is a business in turnaround and I am pleased to report it has made positive progress in 2012/13 towards the Group's major objective of returning our business to profitability. I say this because we have concentrated and focused our efforts and resources, to the very best of our ability, on what we can control. We continue to offer great value, brands and quality products to our customers through the balanced mix of own bought products and concession brands that has benefited margin in the year. Our loyalty programme has attracted c.350,000 members since its launch in May 2012. Our people, throughout the business, have embraced the discipline of fiscal responsibility, understood the value that giving great customer service has to differentiate us from competitors and benefit future business and there is a shared desire by all staff to play their part in the turnaround. We have continued to invest carefully, with focused investment in the infrastructure to facilitate our online business in the future and are pleased with the results achieved. Much work remains to be done and the road ahead will be long and bumpy, but the turnaround has started to gain momentum and Beales has ended the year in a stronger position.

William Tuffy
Chairman

Chairman's Statement continued

Results

The Group loss before tax for the year (52 weeks ended 2 November 2013) was £4.0m after exceptional charges of £0.8m (further details of which are detailed in the Financial Review) and represents a 30.7% improvement on the previous year (*53 weeks ended 3 November 2012 £5.8m loss after exceptional charges of £2.1m*). This significant improvement was achieved as a result of the full year benefit of the cost saving initiatives started last year and despite the negative impact of several factors outside the control of the Group (i.e. one week less in the financial year, abnormal weather conditions which affected sales of seasonal fashion merchandise in Spring and Autumn and the failure/underperformance of a number of concession partners in product areas which are key to the overall department store offer).

Gross sales (including VAT and Concession Sales) for the 52 weeks ended 2 November 2013 were £120.5m (*53 weeks ended 3 November 2012 £135.5m*). Gross profit for the year was £33.4m (2012 £37.8m and was achieved at an improved margin of 52.1% *(2012: 50.6%)*. As I have mentioned above, we traded for one week less in 2013 and sales were negatively impacted by several uncontrollable factors. Sales were also affected by Board decisions to close three stores (Skipton, Maidstone and Cinderford); to change the operation of 22 restaurants/cafes within Beales stores from being run by Beales to being run by concessionaires; to exit from low margin TV and Audio categories and to change the trading stance in order to move away from 'mega' promotions which chased sales at the detriment of margin, devaluing the Beales brand proposition and confusing our core customers.

Excluding the preference shares, net debt of £8.4m at 2 November 2013 is £0.4m below the previous year *(2012: £8.8m)* due, essentially, to a combination of the move to Burdale from HSBC and a reduction of the ARCS/Panther indebtedness.

A more detailed review of Group performance can be found in the Chief Executive's Statement on pages 10 to 12. The financial results are discussed in greater detail in the Financial Review on pages 13 to 15.

Trading update

Beales saw a very slow start to the new financial year with like for like sales after 7 weeks down 9.7% versus the same period last year. Some of this decline will be attributable to the cessation of 'mega' promotions which in the prior year generated, heightened sales at little or no margin and the exit from the TV/Audio sector; however it still reflects the fact that the customers were restricted in terms of lower disposal incomes in the run-in to Christmas and the increasing tendency to shop later and later in the pre-Christmas period.

The 14 days of Christmas saw like for like sales increase 4.1% as shoppers resorted to local high streets for late Christmas shopping. Post-Christmas, customers were chasing a bargain with 'sale rails' the first port of call for many customers entering the stores. The first three weeks of the new calendar year saw like for like sales increase 9.0%, which even allowing for the snow and ice in the prior year, reflects a good growth. The end of January and the start of February have been materially affected by the flooding and inclement weather that continue to affect the UK and like for like sales are behind 5.6% compared to the same period last year.

Overall, for the first 16 weeks of the current financial year compared to the same period last year, like for like sales are behind 4.4%.

Board succession

Following Tony Brown's departure on 8 February 2013, the Board took the decisions to appoint Michael Hitchcock as Chief Executive and increase the scope and enhance the responsibilities of Tony Richard's role as Trading Director.

On 23 April 2013, Stuart Lyons was appointed as non-independent non-executive director (representing the interests of Panther Securities Plc and Andrew Perloff's other family interests, which together hold 29.72% of the Group's issued share capital), replacing Simon Peters. On 21 October 2013, following Stuart's decision to step down, we welcomed Simon back to the Board.

On 18 July 2013, Catherine Norgate-Hart was appointed non-executive director bringing a wealth of retail product and buying experience to the Board. We are delighted to have Catherine on the Board and we look forward to her continued valuable contribution.

On 12 September 2013, Keith Edelman left the Board and I was appointed Chairman as his successor. Keith joined Beales as non-executive director in September 2008 and was appointed Chairman in November 2011. On behalf of the Board and all of the staff at Beales, I would like to thank him for his considerable contribution and wise counsel. Following my appointment as Chairman, Catherine has taken up the chairmanship of the remuneration committee and will be the senior independent non-executive director.

Staff

On behalf of the Board and shareholders, I would like to give special thanks to all Beales staff throughout our Company - in stores and head office - for all of their dedication, hard work and considerable efforts during the year. In particular, I would like to thank them for embracing the change of culture and recognise the importance of the massive contribution they make to our business.

It is also right to recognise our concessions partners, our suppliers and AIS, our buying group, for their contribution during the past year.

Banking facilities and going concern

We are pleased with the financial support and partnership extended to us by Burdale with whom we began a three year loan facility in February 2013.

As you would expect, the Group continues to manage its cash very closely and has met all of its banking covenants during the 2013 year. I have already mentioned that Beales operates in a very challenging and competitive trading environment and there are a number of risks and uncertainties facing the Group that are likely to impact its future development, performance and position. The Board continually assesses the Group's performance and manages those risks and uncertainties by careful consideration of the appropriate resources required by the Group. The Board believes that the Group should be able to operate within its borrowing facilities and the Board has therefore continued to adopt the going concern basis in preparing the annual report and accounts, as detailed in the Financial Review.

Outlook

Despite government statistical evidence indicating the resumption of growth in the UK economy, retailers and retail commentators agree that it is unlikely that consumer confidence will return quickly in 2014 and that the consensus prediction is that the road to a consumer led recovery will be long. If, on the other hand, one is optimistic about increased economic growth in 2014, this may accelerate the spectre of intervention by the Bank of England to increase interest rates, which will it itself lead to a further squeeze on disposable income. Either way, I conclude it would be illogical to assume that 2014 will see a significant increase in consumer spending and therefore I believe we can expect another tough year. As I said earlier, we at Beales will continue to concentrate and focus all of our effort and resources on what we can control to the very best of our ability.

Finally, I would like to pay particular thanks to Michael Hitchcock for his exemplary leadership and, together with Tony Richards, for their significant contributions thus far as the Executive Directors charged with the responsibility to deliver the turnaround of this business.

William Tuffy
Independent
Non-Executive Chairman

Chief Executive's Statement

Beales is a long established department store retailer with tradition, values and great people. There is passion, character and desire to turn Beale's trading performance around. As CEO I cannot ask for more from my team.

Introduction

Beales is a long established department store retailer with tradition, values and great people. Over a number of years it was evident that these traditions, values and people had largely been forgotten. The opportunity the Board presented to me in early 2013 to take on the role of CEO was well received, as I truly believe that the long established attributes that Beales has, have a place in today's retail sector. Beales had to be 'different'; everyone in Beales had to think, act, speak, appear and be different. One of the most rewarding results in the last ten months has been the ability to turn the culture inside Beales almost 180 degrees; the staff should take massive credit for this for being open to change and embracing the need to be different.

The following changes, amongst others, are all articulated in detail in the Strategic Report:

- Change in principal lender
- Change of CEO
- Change of listing status
- Change of culture
- Change in senior personnel
- Change in the trading stance

The business faced a number of material environmental, commercial and macro-economic business interruptions throughout the year. Out of character weather patterns ran in contradiction to the fashion products on sale during the typical Autumn/Winter and Spring/Summer seasons. The failure of key concession partners is referenced in the Strategic Report and caused both operational disruptions and adverse financial implications.

The continued real income declines of the majority of people in the UK and the required ongoing austerity measures adopted by the UK Government, left consumer confidence at very low levels.

The business ends the financial year in a far stronger position than it was when it entered. The concession 'mats' are full for the first time in a number of years, the stock is the cleanest it has ever been, the margin in the opening stock supports the anticipated gross margin growth for 2014 and we have a supportive lender who wants to work with the business.

Gross sales (including VAT and concessions) for the 52 weeks was £120.5m against £135.5m for 53 weeks last year. Taking into account the 53rd week last year, the exit from the TV and audio category, the active decision following my appointment to stand back from 'mega' promotions and the exit from 3 stores, the shortfall in gross sales was 3.4%.

The operating loss before exceptional items was £2.4m an 18% improvement on the £2.9m of operating loss before exceptional items reported last year. Beales is in a turnaround phase and this represents a continued vindication of the steps being taken to generate a profit on an ongoing basis. The steps and initiatives outlined in the Strategic Report will continue to support the turnaround of Beales.

The loyalty program, Love Rewards, introduced in May 2012, goes from strength to strength. We currently have close to 350,000 members with the penetration rates in some stores in excess of 50%. This supports the belief that there is a need and that there is great support, for a local department store in the majority of predominantly secondary and tertiary market towns in which we trade.

Product sales

A department store needs to offer great value, great brands and quality products across all product categories. The route to achieving this is through own bought product and the partnership with concession brands. Our own bought products continue to grow in volume and recognition, represented as they are across most categories; Whitakers in linens, Home Basics again in linens, Broadbents and Boothroyds in menswear and All Cooks in housewares. These brands allow us to retain far greater gross margin. Where it is apparent that certain categories do not make a positive contribution, Beales will take the decision to exit that category, as the business has done with TV and Audio, and utilise the vacant space created in a more positively contributing way.

Our mix of concession brands continues to be flexible, some through enforced administration (Famous Footwear, Barratts, Mostyns) and others through tactical displacement and replacement. The concession mix is now 49%, with own bought product sales representing 51%. We continually monitor the performance of all concession brands and continually look to introduce new brands and replace old brands to ensure the right balance of product and brands to achieve our ambition of being the **local high street department store** of choice.

Buying in margin

The change in the balance and mix of product categories and brands has allowed the business to lift its buying in margins. The trading teams have done a good job at buying smarter, better and with more variety, to meet the ambition of being the **local high street department store** of choice. I expect further gains in this area as we continue to shape the product offer.

Customer service and people

My own operating mantra is that great customer service leading to repeat business, when aligned with fiscal responsibility, is the foundation of all successful businesses. Since taking on the role of CEO I have invested considerable business time, effort and money, to ensure this mantra becomes the norm across the business. I am pleased to say that the business has responded admirably as part of the turnaround strategy. This is one of the areas I am most deeply appreciative of the staff for their embracing of this mantra.

Cost controls

The discipline of cost control needs to be a culture; in the first instance the business needed a somewhat draconian approach to cost control whereby the CEO signs off all discretionary expenditure, but it has helped to engender a much more thought provoking attitude to spending the business' money. Further cost controls have been achieved through process enhancements in how day to day operations are effected; the reduction of tasks and the removal of the need for human intervention have increased productivity with a result of lower costs.

The business has sought to wisely invest limited cash resources and will continue to invest in its online facility to meet the needs of the current omni-channel customer. It will however, only continue with this approach in its turnaround phase so long as the short term returns are evident.

Principal risks and uncertainties

Beales is a highly operationally cost geared retailer where small movements in sales have a material impact on profit/loss figures. The business remains in a turnaround phase and regardless, will always be open to uncertainty operating under these sensitivities.

The principal risks and uncertainties have not changed from last year and the Board continues to apply mitigating actions. All retailers face a very challenging and competitive trading environment. Sound risk management is an essential discipline for running the business efficiently. The nature of risk is that no list can be totally comprehensive, though the directors believe the principal risks and uncertainties faced and the mitigating actions taken to manage these risks and uncertainties are as follows:

The single biggest risk is our customers continued slow emergence from the period of austerity that the UK has been through. Beales may have the best looking shops with the best product and the best customer service, but if the customers do not have the increasing free disposable cash, they will not be minded to spend. A slow economic upturn mixed with continuing flagging consumer confidence with the need for increased discounting and promotions adversely impacts on revenues and margins. In mitigation we:

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

Chief Executive's Statement continued

Weather plays an important factor in the short term trading of any retailer, particularly those which have a core fashion offer and are dependent upon a 'normal' Spring/Summer and Autumn/Winter weather sequence; the mitigation to this, to an extent, is to adopt a more trans-seasonal product buying strategy.

Concession product or business failure: the last financial year has shown the level of disruption to trading through concession failure and poor product or line failure. These events are synonymous with the prevailing economic state of the nation. The business mitigates the likelihood of these events through careful and considered choice of concession partners.

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

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

Cash resources; Beales, being asset rich and cash poor with a material external debt needs to generate cash through sales. In the event that sales do not meet targets, to ensure that the terms of the external debt are met, other mitigating measures will need to be adopted to generate cash. In mitigation we:

- Maintain a strong relationship with major stakeholders;
- Ensure consistent and disciplined monitoring of working capital; and
- Review the allocation of Group resource and capital investment.

The Group may lose expertise with resignation of key Directors and senior management who are key to delivering success. In mitigation we:

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

We have continued to work within our lending facilities. However, the Group is subject to a number of risks and uncertainties, the principal ones being set out above, which we continually review in determining that the Group continues to operate as a going concern. Please refer to the going concern statement on page 40.

Environment

We believe in working within, with and supporting the local communities in which we operate and we are very closely involved with the town centre and councils in many of the towns in which we trade. We continue to seek ways to reduce product packaging and bag usage in addition to increasing the recycling of cardboard, plastic and other waste. We also continue to pay particular attention to reducing the environmental impact of the Group's carrier bags and, with assistance from the Carbon Trust, seek opportunities for greater energy efficiency in our stores, service buildings and offices. We have a detailed internal monitor of all energy usage across all buildings we operate or trade in with active steps to reduce energy usage. The financial implications of the government policy in relation to the carbon limits will be a continued burden on all businesses, we continue to seek to reduce our carbon footprint by working with the relevant government agencies.

Outlook and summary

The steps management is taking cannot guarantee success; however, they can give the business the best chance of success during this critical turnaround phase. Beales has a lot of talent within its employees and they now have the culture and the environment to express and deploy that talent to good effect. There is passion, character and desire to turn Beales trading performance around. As a CEO I cannot ask for more from my team. Align this to the steps outlined in the Strategic Report and with some help from those factors outside of our control, weather and continued UK and global recovery, Beales has every chance of emerging from the turnaround phase in a far stronger position, to then take on a growth phase.

Michael Hitchcock
Chief Executive

Financial Review

Overview of the Year

The business has continued to reset the operational cost base and deliver greater productivity from a largely fixed cost base. Further initiatives have been taken to maximise the availability of cash resources and minimise the level of debt in the business.

The business has made progress over the year with the loss after taxation reducing from £5.8m to £3.9m. The balance sheet net asset value of £7.4m *(2012: £9.5m)* contains freehold assets of £12.4m *(2012: £12.5m)* and a stock balance of £15.2m *(2012: £15.8m)* which is the cleanest in terms of ageing and quality than it has been for a significant number of years.

On 1 February 2013 the business arranged a new loan facility with Burdale. Moving the Group loan facility to Burdale has allowed the Board to allocate greater focus on the running of the department store business, rather than continually facing the possibility of covenant breaches.

Results

Gross sales, which include VAT and concessional sales, decreased to £120.5m *(2012: £135.5m)*. During the year, the Group ceased trading in three stores, Cinderford, Maidstone and Skipton. The business also took the decision to cease 'mega' promotions which had lifted sales but at little or no margin and also to exit the TV/Audio sector, which was economically unviable. Furthermore, the year ended 3 November 2012 contained 53 weeks. Excluding the 53 week and the three stores which closed, gross sales were 8.2% down on the previous year.

Revenue from continuing operations fell to £64.1m from £74.6m. In part this is a result of the Group concessioning 22 restaurants/cafes within the department stores to a third party. As a consequence concession sales now account for 48.79% *(2012: 45.95%)* of gross sales.

Gross margin rose from 50.63% to 52.11%. This is in part the result of coming out of the TV/Audio which provided low margin, concessioning 22 restaurants/cafes within the department stores to a third party, and the greater control of stock and its ageing compared to prior periods.

Total administration expenses fell from £42.8m to £36.6m. This was as a result of three factors: the restructuring carried out in 2011/2012 financial year; the closure of 3 department stores during the year; and the concessioning of catering outlets.

During the year there was a net exceptional charge of £0.8m *(2012: £2.1m)*; this was a combination of refinancing costs, costs associated with moving from a Premium Listing to a Standard Listing and asset impairment offset against an exceptional credit received following signing of a conditional agreement which may give rise to the surrender of the Tonbridge lease. The Board regard these costs as exceptional as they are not recurring.

The operating loss has reduced from £5.0m to £3.2m.

The net cost of financing the business rose from £0.7m to £0.8m, 53.36% of the current year's cost comes from the finance charge on the preference shares which are not paid in cash as it represents an accounting charge.

Taxation

Deferred tax is provided in the accounts at 20%. There is a deferred tax credit of £112,000 *(2012: charge £59,000)*.

Earnings

The loss per share and diluted loss per share was 18.9p *(2012: loss per share and diluted loss per share 28.3p).*

Loss before interest, depreciation, amortisation and tax improved to £1.8m *(2012: £3.4m)*.

No dividends were paid in the year *(2012: nil per share)*. The Board considers that a significant trading improvement will be necessary before dividends are paid.

Pensions

From 1 September 2013 the Group operated a Group Personal Pension Scheme with Scottish Widows and the People's Pension as part of auto-enrolment.

The Group closed the Beales defined contribution pension scheme to further accrual on 31 August 2013. During April 2009 the Group closed its defined benefit pension scheme to future accrual, having been closed to new entrants since April 1997. The Beales pension scheme is operated by the main trading subsidiary, J.E. Beale plc, which also has the responsibility for the Denners pension scheme. That scheme was closed to new members and future accrual when Denners Limited was acquired by the Group in 1999. The net surplus for both schemes remains on balance sheet.

The Group's total final salary pension surplus under IAS 19 at the year-end was £0.8m *(2012: Deficit £1.2m)*; details of this are shown in note 32 of the financial statements. The total actuarial gain for the period was £1.5m *(2012: £2.2m loss)*. The Beales scheme has an IAS 19 surplus of £0.1m *(2012: £1.7m deficit)*. The Denners scheme has an IAS 19 surplus of £0.7m *(2012: £0.5m surplus)*.

Financial Review continued

During the year the Group continued to meet the contribution schedules agreed with the trustees for both schemes, contributing £0.5m *(2012: £1.2m)*. Agreement was reached with the trustees of the Beales scheme regarding the triennial valuation based upon the year end of October 2010 and a new schedule of contributions was then agreed. This was subsequently revised at the time of the renewed revolving credit facility in June 2012. This resulted in a rate of contribution of £0.5m per annum, a reduction from the £1.5m per annum previously agreed. The calculations for the Beales pension scheme triennial valuation for the year ended 2 November 2013 are ongoing. The Denners scheme October 2011 triennial valuation has been finalised by the actuary and no employer contributions are required.

Group systems

The Group systems are being continually improved to allow expedient and more effective decision making; retail is a 24/7 sector which requires information on a real time basis to be able to react to customer demands, market trends and environmental changes. The improved efficiency will continue to drive further efficiency cost savings.

Treasury and banking

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

In negotiating the acquisition of the stores from ARCS in May 2011, the Group negotiated a five year term loan facility of £2.5m and issued £8.5m of preference shares at their nominal value. The term loan was repayable at a rate of £0.5m per annum although this was subsequently revised at the time of the renewed revolving credit facility in June 2012. The 8.5m £1 preference shares issued on 22 May 2011 are interest free for a period of five years, then interest is payable at a rate of 8.0% for four years, thereafter interest is payable at 9.0% for the residual life. They are to be redeemed at a rate of £0.5m bi-annually from year five (note 20). The Group has the option to redeem the preference shares at any time without any penalty for settlement. The specific terms of the preference shares create an embedded derivative for the Group. The fair value of the preference shares and the valuation of the embedded derivative were included in calculating the negative goodwill arising from the acquisition in 2011. There are, and will continue to be, non-cash charges and/or credits in the financial statements relating to accrued interest on the preference shares and fair value gains and/or losses in relation to the contracts' embedded derivative. Details of the preference shares and embedded derivative are shown in note 20 and 30 of the financial statements.

On 1 February 2013 the Group agreed a refinance agreement with Burdale, an asset backed lender. Burdale is a subsidiary of Wells Fargo Bank in the USA. The loan runs for 3 years from 1 February 2013. The terms of the facility are for up to a maximum £12.0m senior secured credit facilities. The actual value that the Group can borrow is determined by the Group stock and property value, the maximum the Group could borrow from Burdale in 2013 was £9.4m. The bank facilities include a financial covenant which requires the Group to procure that the trading cash flow in respect of each review period as set out in the facility agreement, shall not be less than the amounts agreed between the Group and the lender, calculated on the basis of the financial projection.

In addition there is a condition that for a period of 14 days between 1 December and 31 January each year drawings do not exceed £2.5m except that for the period 1 December 2013 to 31 January 2014, in which case the limit shall be £3.0m.

The facilities are secured by a first debenture over the Group assets (excluding the Kendal freehold to the extent of the Beales Pension Trustee charge). The Group is dependent on bank support to remain as a going concern. Furthermore, given the size of the Group's borrowing its loss will be affected by variations in interest rates.

Going concern

From 4 November 2012 to 1 February 2013 the Group and Company met their day-to-day working capital requirements through the use of one principal HSBC bank loan facility of £8.5m (which was repayable on 31 October 2015) and an overdraft facility of £0.1m which was repayable on demand.

As noted in the Chief Executive's Statement on pages 10 to 12 all retailers face a very challenging and competitive trading environment and there are a number of risks and uncertainties facing the Group which are likely to impact its future development, performance and position. We are continually assessing our performance and managing these risks and uncertainties in considering the appropriate resources required for the Group. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 30 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, interest rate risk, market risk and liquidity risk.

The Directors have prepared forecast information for the 2013/14 year and a three year corporate plan. Based on these forecasts, forward covenant tests to October 2014, after applying financial sensitivities based on reasonably possible alternative trading scenarios and mitigating actions, show that the covenant is not forecast to be breached in the period to October 2014. Since the year end, executive management has made further progress to create additional headroom to borrowing facilities in case of negative trading movements. Collaboration amongst all the key stakeholders in the business including principal lender, shareholders, landlords, suppliers, and pension trustees have all played a cooperative and communicative part in some way to assist the executive management whilst the business turns itself around. Whilst the specific nature of this assistance is required to remain confidential, the assistance largely takes the form of enhancing cash availability and creating headroom to borrowing facilities in case of negative trading movements. The forecast and corporate plan are based on market data and past experience and the Directors have formed a judgement that at the time of approving these financial statements, based on those forecasts and projections, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. On this basis the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Balance sheet and cash flow

The balance sheet retains a net asset value of £7.4m *(2012: £9.5m)*. The loss for the period of £3.9m *(2012: £5.8m)* has been offset in part by the elimination of the IAS 19 pension deficit.

Inventories have been reduced by £562k in part as a result of the closure of Cinderford, Maidstone and Skipton. Trade debtors have reduced substantially during the year following the closure of the Group in house credit business on 17 November 2012.

Total borrowing (excluding the preference shares) is £9.6m *(2012: £9.3m)*, including both current and non-current elements. Significant reasons for the increase in debt are the investment in plant and machinery, redemption of preference shares, provision of £1.0m on deposit with HSBC and the operating loss.

The largest cash inflows are the result of the decision to close the in house credit function and the receipt of £1.0m in relation to the Tonbridge lease. In April 2013 Beale PLC announced that its principal trading subsidiary, J.E. Beale plc, had signed a conditional agreement with Sainsburys which may give rise to the possible future surrender of the lease of its Tonbridge store. On signing of the agreement, J.E. Beale plc received £1.0m and this is been credited to profit evenly over two years.

The transaction is conditional on certain pre-conditions being satisfied within a 6 year period. If these conditions are satisfied then J.E. Beale plc will be obliged to surrender the lease of its Tonbridge store to Sainsburys. Upon completion J.E. Beale plc would receive a surrender premium of up to £3.0m.

The Group's long term liabilities fell as a result of elimination of the pension deficit under IAS 19.

Capital and financial risk management

The Group manages its capital to ensure that it can continue as a going concern. The capital structure of the Group consists of borrowings, preference shares, cash, cash equivalents, share capital, share premium account, revaluation reserve, ESOP reserve and retained earnings.

The Group's treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Corporate treasury function reports to the Board regularly. No dividend accrues on the preference shares until five years from the date of issue. Thereafter a preferential dividend of 8% per annum will be payable on each of the preference shares for 4 years, increasing to 9% thereafter. The preference shares can be repaid at any time at no penalty.

An embedded derivative in relation to the prepayment option arising on the original 8.5m preference shares was valued at inception to be £1.1m. As at 2 November 2013 the derivative was valued at £1.4m *(2012: £1.4m)*. It has been assumed the Group can borrow at 5% *(2012: 5%)* over LIBOR without security in determining the credit spread required to value this instrument. The valuations were supplied by an independent third party.

The Group's activities do not expose it to changes in foreign exchange rates as nearly all imports are purchased in sterling. However, the Group is exposed to interest rate risk because entities in the Group borrow funds from third parties, the interest rates on which are linked to LIBOR.

Directors

1 MICHAEL HITCHCOCK

2 JOHN CHILCOTT

3 SIMON PETERS

4 TONY RICHARDS

5 WILLIAM TUFFY

6 CATHERINE NORGATE-HART

1 Michael Hitchcock

Chief Executive (age 48)
Michael was appointed CEO on 9 February 2013, having joined Beale PLC in May 2012 and appointed as interim finance director in June 2012. Michael has been a finance director with Plc, Private Equity and International experience across retail, leisure, FMCG and the renewable energy sectors; he has extensive commercial experience of production and manufacture through distribution and supply chain to wholesale and retail. Michael is a very strong advocate of customer service which, when aligned to fiscal responsibility, is the foundation of all successful businesses.

2 John Chillcott

Non-Independent Non-Executive Director (age 55)
Appointed to the Board on 24 August 2011 under the terms of a Non-Executive Director Agreement with Anglia Regional Cooperative Society. John joined the ARCS in 1996 where he held a number of positions. In 2007 he was appointed chief executive of ARCS. In May 2012 John was appointed to the board of AHF Limited under the terms of an agreement with ARCS. In November 2013 John was appointed Chair of SEEE (Social Enterprise East of England) and in December 2013, following a merger of ARCS and Midlands Co-operative, he remains with the enlarged business as regional executive.

3 Simon Peters FCCA, CTA

Non-Independent Non-Executive Director and member of the nomination committee (age 36)
Appointed to the Board on 28 April 2010, he resigned from the Board on 23 April 2013 and was reappointed on 21 October 2013. He was appointed as finance director of Panther Securities PLC in 2005; Panther Securities PLC is a substantial shareholder. He was with KPMG chartered accountants between 1999 and 2004.

4 Tony Richards

Trading Director (age 47)
Appointed to the Board on 1 September 2011 having joined the Company on 4 July 2011. Prior to joining Beale PLC he was a retail consultant. From 1990 to 2008 he worked for Furnishing Place Limited, where he was chief executive from 2004 to 2008.

5 William Tuffy MBA, ACA, FCCA

Independent Non-Executive Chairman and chairman of the nomination committee (age 51)
Director appointed 8 November 2011. William Tuffy was Senior Independent Non-Executive, chairman of the remuneration committee, chairman of the audit committee and a member of the nomination committee until 12 September 2013. From 13 September 2013 he was appointed Independent Non-Executive Chairman and chairman of the nomination committee, he remained chairman of the audit committee and became a member of the remuneration committee.
He is the interim group finance director for a large private company. From November 2007 to September 2008 he was Celebrations Group Limited interim finance director. From December 2004 to March 2007 he was finance director of Select (Retail Holding) Limited. Previously he had been finance director of TK Maxx Limited and held senior finance positions in Storehouse PLC.

6 Catherine Norgate-Hart

Director appointed 18 July 2013. Senior Independent Non-Executive, chairman of the remuneration committee, and a member of both the audit committee and nomination committee (age 53)
Catherine was appointed to the Board on 18 July 2013. Since 2008 Catherine has been a director of KDC Trading Limited, which she co-founded. Between 2008 and 2012 she was a non-executive director at Grabol Alok UK Limited. She was also a non-executive director at Maclaren Europe Limited from 2009 to 2012. Between 2007 and 2009 Catherine was a non food product strategy consultant for Musgrave Group PLC. From 2004 to 2007 she was buying & merchandising director of T J Hughes PLC. From 2002 to 2004 she was commercial director at Woolworth PLC.

Other directors who served during the year

Keith Edelman

Independent Non-Executive Chairman (age 63)
Chairman of the nomination committee and a member of audit and remuneration committee. Appointed to the Board in September 2008. He resigned on 12 September 2013.

Tony Brown

Chief Executive (age 56)
Appointed to the Board in June 2008. He resigned on 8 February 2013.

Stuart Lyons

Independent Non-Executive Director (age 70)
Appointed to the Board on 23 April 2013. He resigned on 21 October 2013.

Directors' Report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the 52 weeks ended 2 November 2013.

Principal activities

The Company is the holding company of the Group whose principal activity is the operation of department stores. The Group trades as Beales in Abingdon, Bedford, Bolton, Bournemouth, Beccles, Bishop Auckland, Chipping Norton, Diss, Harrogate, Hexham, Horsham, Keighley, Kendal, Kings Lynn, Lowestoft, Mansfield, Peterborough, Poole, Redcar, Rochdale, Saffron Walden, Skegness, Southport, Spalding, St Neots, Tonbridge, Winchester, Wisbech, Worthing and Yeovil. Maidstone closed in June 2013 and Cinderford closed in July 2013.

Business review

A review of the business of the Group, including a list of the principal risks and uncertainties facing the Group, is set out in the Chairman's statement, the Chief Executive's statement, the Strategic Report and the Financial Review on pages 2 to 15. The Chief Executive's statement also includes details of expected future developments in the business of the Group.

Dividends

No dividend was paid during the year *(2012: no dividend paid)*. The directors do not recommend the payment of a dividend.

Capital structure

Ordinary shares

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

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Preference shares

At the EGM held on 17 May 2011 the shareholders approved the issue of 8,500,000 new redeemable preference shares of £1 each in the capital of the Company to ARCS (now Central England Co-operative Limited). The 7,983,953 preference shares remaining in issue do not carry any rights to vote in general meeting unless the business of the meeting includes the consideration of a resolution to wind up the Company or a resolution is proposed that would adversely vary the special rights attaching to the preference shares, in which case the holder(s) of the preference shares will be entitled to vote on that resolution only. In that event, the preference shares will have one vote per share.

After 22 May 2014, the preference shares will be freely transferable to a maximum of five transferees in multiples of at least £500,000.

No dividend will accrue on the preference shares until 22 May 2016. Thereafter a preferential dividend of 8% per annum will initially be payable on each of the preference shares for a period of 48 months, increasing to 9% per annum thereafter.

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

Subject to the Companies Act 2006, the Company has the option to redeem, at nominal value, any of the preference shares at any time. This redemption option gives rise to an embedded derivative asset which is recognised at fair value on the balance sheet. The Company is required to redeem any such shares that have not been converted half-yearly in two equal instalments of £500,000 payable on 30 November and 31 May in each relevant financial year, save that the first such redemption to be made on 30 November 2016 will not be required as 306,612 preference shares were redeemed on 7 December 2012 and a further 209,435 preference shares were redeemed on 30 September 2013 as explained below. Consequently the preference share redemption to be made on 31 May 2017 will be in respect of 483,953 shares.

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 Group. Furthermore, should the Group cease trading and fully close down and cease to operate any of the stores acquired from ARCS on 22 May 2011 then an amount of preference shares equivalent to the value of the stock relating to that store as at 22 May 2011 will be redeemed.

This obligation no longer applies in respect of those 7 million preference shares which have been beneficially owned by Portnard Limited which is owned by Maland Pension Scheme, A.S. Perloff and family trusts since 30 April 2013. The Skipton store ceased trading on 3 November 2012 and on 7 December 2012 306,612 preference shares were redeemed. The Cinderford store ceased trading last July and on 30 September 2013 209,435 preference shares were redeemed.

Under certain circumstances such as failure to redeem preference shares, pay a dividend etc, preference shareholders have the right to convert their shares into fully paid ordinary shares comprising of not more than 9.99% of the Company's issued ordinary share capital.

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

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

Directors

The directors during the year and to the date of issuing this report were Tony Brown (resigned 8 February 2013), John Chillcott*, Keith Edelman* (resigned 12 September 2013), Michael Hitchcock (appointed 9 February 2013), Simon Peters* (resigned 23 April 2013 and was reappointed 21 October 2013), Tony Richards, William Tuffy*, Catherine Norgate-Hart* (appointed 18 July 2013) and Stuart Lyons* (appointed 23 April 2013 and resigned 21 October 2013). (*non-executive).

Catherine Norgate-Hart who was appointed as an independent non-executive director on 18 July 2013 and Simon Peters who was re-appointed as a non-independent non-executive director on 21 October 2013 will each offer themselves for election at the Annual General Meeting.

Under the Articles of Association, no other director is required to offer himself for re-election at the Annual General Meeting this year. John Chillcott's appointment is not subject to approval by the shareholders.

Biographical details of the directors, indicating responsibilities and experience, are on pages 16 and 17.

Directors' interests

The directors who held office at 2 November 2013 had the following interests in the share capital of the Company.

	2013 Ordinary shares of 5p	2012 Ordinary shares of 5p
John Chillcott	**–**	–
Michael Hitchcock	**–**	–
Catherine Norgate-Hart	**–**	–
Simon Peters	**–**	–
Tony Richards	**10,000**	10,000
William Tuffy	**10,000**	–

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

There were no changes to the above holdings from 2 November 2013 to 28 February 2014.

Directors' share options

At the EGM on 17 May 2011 the shareholders approved the adoption of the Beale PLC Performance Share Plan 2011. Details of the scheme and the share awards granted under it are shown in note 26 of the accounts and in the remuneration report on pages 82 to 93.

Insurance

The Group maintains directors' and officers' liability insurance.

Fixed assets

In the opinion of the directors, the current open market value of the Group's interests in land and buildings equates to the book value. The Group's liability to taxation if land and buildings were sold at that value would be approximately £725,000 *(2012: £963,000)*. This liability to taxation takes into account indexation from the date of purchase.

Directors' Report continued

Substantial shareholdings

At 28 February 2014, in addition to certain directors' interests, which are disclosed above, the following were interested in 3% or more of the issued ordinary share capital of the Company:

Panther Securities PLC/Maland Pension Fund/Perloff	29.72%
UBS AG	7.40%
Nigel Beale and Anthony Lowrey	3.99%
Pruta Securities (JSY) LTD	3.41%
Winterflood Securities Limited	4.03%

Disabled employees

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

Employee consultation

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

Carbon commitment

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

Emissions data for the 52 weeks ended 2 November 2013:

- Electricity 7,605 global tonnes of CO_2 emissions
- Natural Gas 1,197 global tonnes of CO_2 emissions
- Global tonnes of electricity and natural gas are 0.0073% of gross sales including VAT.

Some of the above data is extrapolated, where billing did not tie up with the Group financial year. The conversion factors used are from the 2013 GHG conversion factors for company reporting.

Corporate Governance

The Corporate Governance statement on pages 22 to 25 forms part of the Directors' Report.

Auditor

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting of the Company.

By order of the Board

Chris Varley BSc FCA
Secretary
28 February 2014

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

Statement of Directors' Responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

William Tuffy
Chairman
28 February 2014

Michael Hitchcock
Chief Executive
28 February 2014

Corporate Governance

Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.

The Board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board should set the company's strategic aims, ensure the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The Board should set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met. The chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role.

A statement on how the Company has applied the principles contained within the September 2012 FRC UK Corporate Governance Code is set out below. This code applies to all companies with a premium listing of equity shares regardless of whether they are incorporated in the UK. The Group transferred from a premium listing to a standard listing with effect from 20 May 2013. Consequently, the statement on corporate governance is voluntary. The September 2012 FRC UK Corporate Governance Code can be obtained from Financial Reporting Council. Corporate governance is about what the Board of a company does and how it sets values of the company and is to be distinguished from the day to day operational management by the executive directors.

Board of directors

At the end of the year the Board comprised four non-executive directors and two executive directors. The independent non-executive directors during the year were Keith Edelman (resigned 13 September 2013), William Tuffy and Catherine Norgate-Hart (appointed 18 July 2013). William Tuffy replaced Keith Edelman as chairman on 13 September 2013 and Catherine Norgate-Hart replaced William Tuffy as senior independent non-executive on 13 September 2013. John Chillcott was a non-independent non-executive throughout the year. Simon Peters resigned as a non-independent non-executive director on 23 April 2013 and was replaced by Stuart Lyons. On 21 October 2013 Simon Peters was reappointed as a non-independent non-executive director following Stuart Lyons resignation on 21 October 2013. The chief executive from the start of the financial year to 8 February 2013 was Tony Brown, Michael Hitchcock was appointed chief executive on 9 February 2013 and Tony Richards was trading director throughout the year. Michael Hitchcock joined the Group in May 2012 and was appointed as interim finance director on 23 June 2012. Prior to his appointment as chief executive Michael Hitchcock was not on the Board but did attend Board meetings. All directors except John Chillcott are required to submit themselves for re-election at least every three years and newly appointed directors are required to seek election at the first Annual General Meeting following their appointment. Under the non-executive director agreement signed with ARCS, the ARCS nominated director is not required to stand for re-election. All directors are able to bring independent judgement to bear on Board matters. Individual directors possess a wide variety of skills and experience.

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

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

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

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

Directors' remuneration

Details of the operation of the remuneration committee, including a statement on directors' remuneration and remuneration procedures, are given on pages 82 to 93.

Business model and strategy

Details of the Group's business model and strategy are set out in the Strategic Report.

Audit committee and auditor

Details of the operation of the audit committee are given on page 26 to 28.

Nomination committee

For the period from 4 November 2012 the nomination committee comprised Keith Edelman (Chairman), William Tuffy and Simon Peters. On 12 September 2013 Keith Edelman resigned and Catherine Norgate-Hart joined the nomination committee on 18 July 2013. Stuart Lyons was appointed to the committee on 23 April 2013 and resigned on 21 October 2013. Simon Peters resigned from the nomination committee on 23 April 2013 and was re-appointed on 21 October 2013. The committee's main duties are to review the structure, size and composition of the Board, to consider succession planning for directors and other senior executives and to identify and nominate for Board approval candidates to fill Board vacancies. The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office. No recruitment consultants were used to recruit the directors during the year. Michael Hitchcock was the interim financial director prior to his appointment as chief executive, Stuart Lyons was recommended by Panther Securities PLC and Catherine Norgate-Hart was a Keith Edelman recommendation. Catherine Norgate-Hart had suitable retail experience and the nomination committee did not require agency help. The Group has an equal opportunities policy covering all aspects of employment in the work place and this policy is applicable to the nomination committee.

Director attendance at meetings held during the 2013 financial year

	Board	Audit Committee	Remuneration committee	Nomination committee
Number of meetings	10	3	3	2
Tony Brown	4	1	-	-
John Chillcott	6	2	-	-
Keith Edelman	9	3	3	2
Catherine Norgate-Hart	3	1	1	-
Stuart Lyons	6	2	-	1
Simon Peters	5	-	-	1
Tony Richards	10	1	-	-
William Tuffy	10	3	3	2
Michael Hitchcock	10	3	-	-

Corporate Governance continued

Financial reporting

The Group has a full system for reporting its financial results on a monthly basis. In the directors' view, the audited financial statements for the 52 weeks ended 2 November 2013, together with the interim and other reports made during the financial year, present a fair, balanced and understandable assessment of the Group's position and prospects.

Internal controls

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

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

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

Risk management – as part of the risk review the Board conduct annually a review of risks to the business. During the year the Board review the various internal controls. Action has been taken to remedy any significant control failures. Executives have a clear ongoing mandate for identifying, evaluating and managing risks within their sphere of responsibility, this process has been in place in the year under review and up to the date of signing the accounts. Existing controls are documented and any practicable additional controls are implemented or scheduled to be implemented and reviewed on a regular basis.

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

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

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

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

The audit committee reports annually to the Board on risk analysis and recommendations are reviewed and approved by the Board. The Board reviews progress against the risk register during the year. The principal risks referred to in the Chief Executive report are broadly contained within the risk analysis. The Board has reviewed the effectiveness of the system of internal control for the period covered by these financial statements, and up to the date of approval of the financial statements. It believes that the current arrangements comprising a programme of the process development manager's work on stock system, some store internal audits and internal audit by Central Retail Support Limited provides acceptable internal audit coverage of the Group's activities.

Shareholders

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

Going concern

From 4 November 2012 to 1 February 2013 the Group and Company met their day-to-day working capital requirements through the use of one principal HSBC bank loan facility of £8.5m (which was repayable on 31 October 2015) and an overdraft facility of £0.1m which was repayable on demand. On 1 February 2013 the Group entered into a new loan facility with Burdale Financial Limited. The terms of that loan facility are for up to a maximum of £12.0m Senior Secured Credit Facilities. The facilities are secured by a debenture over most of the present and future assets and undertakings of the Group. The new bank facilities include one financial covenant which requires the Group to procure that trading cash flow in respect of each review period as set out in the facility agreement shall not be less than the amounts agreed between the Group and the lender based on financial projections. At the moment the trading cash flow covenants are only stated to the end of October 2014. The bank facility states that, for covenant levels beyond October 2014, the lender, acting reasonably, will determine new trading cash flow covenant levels for the following financial year based on the Annual Revised Forecasts and consistent with the methodology applied by the lender in determining the financial covenant levels set out in the agreement. In addition there is a condition that for a period of 14 days between 1 December and 31 January each year drawings do not exceed £2.5m other than the period 1 December 2013 to 31 January 2014 where the limit shall be £3.0m.

As noted in the Chief Executive's Statement on pages 10 to 12 all retailers face a very challenging and competitive trading environment and there are a number of risks and uncertainties facing the Group which are likely to impact its future development, performance and position. We are continually assessing our performance and managing these risks and uncertainties in considering the appropriate resources required for the Group. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 13 to 15. In addition, note 30 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, interest rate risk, market risk and liquidity risk.

The Directors have prepared forecast information for the 2013/14 year and a three year corporate plan. Based on these forecasts, forward covenant tests to October 2014, after applying financial sensitivities based on reasonably possible alternative trading scenarios and mitigating actions, show that the covenant is not forecast to be breached in the period to October 2014. Since the year end, executive management has made further progress to create additional headroom to borrowing facilities in case of negative trading movements. Collaboration amongst all the key stakeholders in the business including, principal lender, shareholders, landlords, suppliers, and pension trustees have all played a cooperative and communicative part in some way to assist the executive management whilst the business turns itself around. Whilst the specific nature of this assistance is required to remain confidential, the assistance largely takes the form of enhancing cash availability and creating headroom to borrowing facilities in case of negative trading movements. The forecast and corporate plan are based on market data and past experience and the Directors have formed a judgement that at the time of approving these financial statements, based on those forecasts and projections, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. On this basis the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The Director's statement that the business is a going concern has been prepared in accordance with "Guidance on going concern and liquidity risk: guidance for Directors UK companies 2009".

Compliance with the September 2012 FRC Code

The Directors consider that the Group has complied with the provisions of section 1 of the September 2012 FRC Code throughout the period except as set out below. The Group has not complied with clause B.6 of the September 2012 FRC Code in relation to performance evaluation; the Board considers that to comply fully with this clause is inappropriate for such a small quoted company. The Group did not comply with clause C3.1 between 13 September 2013 and 2 November 2013 whereby the Group chairman should not chair the audit committee. Given the chairman is a chartered accountant, the directors believe it was appropriate for him to chair the audit committee. The Group does not comply with B.7.1 in respect of John Chillcott in that under the Beale PLC/ARCS agreement he is not subject to election or re-election of intervals of not more than a year. In relation to clause C3.6 the Group does not have an internal auditor from 11 March 2013. However, the process development manager and Central Retail Support Limited do carry out limited internal audit work we believe to be reasonable for the business. The independence of the chairman and non-executive directors is subject to ongoing monitoring by the Board.

Report of the Audit Committee to Shareholders

The audit committee monitors and reports to the Board on risk management, financial reporting and internal control, as well as reviewing the performance, effectiveness (including cost effectiveness) and independence and objectivity of the external auditor. This year has seen the introduction of many regulatory changes to the content of the reporting and corporate governance disclosure in the annual report. The audit committee have taken a leading role in ensuring, on behalf of the Board, that the annual report, when taken as a whole, remains fair, balanced and understandable and provides the information required by shareholders to assess the Group's performance, business model and strategy.

From 4 November 2012 the audit committee comprised the two independent non-executive directors, William Tuffy and Keith Edelman (resigned 12 September 2013). For the period from 18 July 2013 Catherine Norgate-Hart joined the audit committee. All members of the audit committee are independent non-executive directors and they are considered to have the appropriate breadth of financial and commercial expertise required in order to fulfill the audit committee's duties. William Tuffy was chairman of the audit committee throughout the financial year ended 2 November 2013 and has the appropriate financial expertise, as required by the UK Corporate Governance Code ('the Code'). During the year individual members of the committee visited a considerable number of the Group's department stores where they reviewed progress and challenged the executive directors.

The committee has written terms of reference, including its role and the authority delegated to it by the Board (available at the Company's registered office) which deal clearly with its authority and duties. Following the publication of the revised version of the Code, which applies to financial years commencing on or after 1 October 2012, these terms of reference were amended to reflect the role of the audit committee in ensuring that the Annual Report taken as a whole, remains fair, balanced and understandable. The committee meets at least three times a year and by invitation, other Board members, the company secretary and the Company's external auditor may be asked to attend in order to maximise productivity and promote fiscal responsibility, meetings of the audit committee usually take place just before Board meetings.

Financial statements

The audit committee considered the annual report and accounts in the context of being fair, balanced and understandable and reviewed the support prepared by management with regard to this principle in relation to the 2013 annual report and accounts.

Management provided detail papers on going concern, asset impairment, investment impairment, projections etc. Management provided the audit committee with the risk review, these risks are referred to in the Director's Report. This data provided the committee with the supporting detail to ensure that we were in a position to report to the Board that the 2013 annual report and accounts when taken as a whole were fair, balanced and understandable on the basis that the description of the business agrees with our own understanding.

In assessing the appropriateness of the financial statements the committee focussed on the following significant audit risks which were agreed with Deloitte in advance of the current year's audit. The committee received written reports from the Directors and Deloitte as part of the audit process.

Particular issues considered by the audit committee were:

- Fixed asset impairment
- Goodwill impairment
- Going concern consideration
- Stock provisioning
- Pensions
- Beale PLC's investment in J.E. Beale plc

Fixed Asset Impairment

Each year the Director's review fixed assets to ensure that the carrying value of certain store fixed assets exceeded the future value expected to be derived from holding the assets. The directors have taken an asset impairment charge of £582,000 to profit and loss. The audit committee have considered the directors' workings, they considered the key judgements including the projected growth rate and discount rate and agree with the impairment. It is an ongoing responsibility for the Directors to review fixed assets for impairment (note 14).

Goodwill impairment
IAS 30 requires that an annual assessment of the carrying value of goodwill be performed to consider if any indicators of impairment are present. The Directors' workings show there is no indicator of impairment, consequently, £892,000 continues to be shown in the balance sheet as goodwill. The audit committee concur with the directors conclusion (note 12).

Going concern
The directors have in place loan facilities with Burdale Financial Limited which extend to 31 January 2016. Burdale do require the Group to achieve a pre-agreed trading cash flow until October 2014. The directors have produced projections and mitigation which show the trading cash flow can be achieved. It is noted during 2012/13 Burdale were very supportive in that they softened the covenants during the year. The audit committee have challenged projection workings produced by the directors ensuring that covenants will not be breached and that there is scope for mitigation should projected sales and margin targets not be achieved. The audit committee considered the key judgements of growth rate related to the projections. Furthermore, the audit committee have reviewed various options available to the Group and have satisfied themselves that it is appropriate to prepare accounts on a going concern basis. The auditors have had detailed discussions with the directors and the audit committee in relation to going concern.

Stock provision
The Group has provided a stockloss provision of £584,000 and a stock ageing provision of £364,000. The audit committee have reviewed the level of stock loss incurred during the year together with the stock situation and they are satisfied the level of stock provision is appropriate. The audit committee have challenged management to reduce stock losses further (note 17).

Pensions
Both the Directors and the audit committee concur that the pension surplus for both the Beales and Denners pension schemes can be shown on balance sheet as the trust deeds do allow excess contributions eventually to be returned to the Group. The audit committee have considered the IAS 19 assumptions as acceptable. Certain assumptions are determined by management with assistance from the Group actuary and are scheme specific such as discount and interest rates (note 32).

Investment in J.E. Beale plc
Beale PLC held an investment in J.E. Beale plc of £5.2m, in addition to £15.7m of net debt, of which £7.5m is repayable on demand. The investment and long term receivables require an assessment for impairment. Given the losses incurred by J.E. Beale plc in recent years and the net liability position of J.E. Beale plc as at 2 November 2013, the Directors considered whether any indicators of impairment are present. The audit committee challenged the Directors in relation to assumed growth rate.

The Directors projections going forward indicate future estimates of J.E. Beale plc's profitability that the investment recorded at £5.2m was overstated. During the year the Directors have taken an investment impairment of £4.6m in accounts of Beale PLC. The auditor had detailed discussions with the Directors and audit committee (note 15).

External audit
The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. A detailed audit plan is received from Deloitte, which sets out the key risks identified. For the 2013 financial year, the primary risks were in relation to fixed asset impairment, goodwill, going concern, stock, pension and Beale PLC's investment in J.E. Beale plc.

Deloitte provided the committee with their views on these issues at the committee meeting held to consider the financial statements. In addition they undertook to provide the committee with details of any identified matters greater than £10,000 and any other adjustments that were qualitatively significant which management had not corrected on the basis that the matters were not, individually or in aggregate, material.

The effectiveness of the external audit process is currently assessed by the committee based on discussions with those involved in the process. The chairman of the committee also meets with the external audit partner outside the formal committee process through the year.

At the three meetings this year the audit committee did consider reports prepared by Deloitte in relation to the interim audit, the planning for the year end audit and the final audit.

Report of the Audit Committee to Shareholders continued

Deloitte provides certain non-audit services, principally in relation to transaction support services and taxation. The audit committee ensures that appropriate safeguards of audit independence are applied. Furthermore key judgements made in all areas of audit work performed were subject to independent partner review. These transaction support and taxation services are controlled by non-audit partners. The partner segregation of duties allows the auditor to remain independent and objective. Details of auditor's remuneration are given in note 6 of the financial statements.

Appointment and independence

The committee considers the reappointment of the external auditor, including the rotation of the audit partner each year and also assess their independence on an ongoing basis. The external auditor is required to rotate the audit partner responsible for the Group audit every five years. The current audit partner will be rotated after 2014 audit.

Deloitte LLP were first appointed by the Company in 2003. Whilst the Group has not formally tendered the audit since then, the committee has undertaken a review of the objectivity and effectiveness of the audit process each year. When considering the suitability of the external auditor, the committee takes into account the ability of the auditor to deliver an audit.

The committee cognisant of its responsibility under the revised Code to tender the audit every ten years and notes that this period can be extended to coincide with the period ending the current engagement partner's rotation if longer. The committee plans to tender the audit in 2014 to take effect for year ending October 2015, after the five year rotation period of the current external audit partner.

Non-audit services

To safeguard the objectivity and independence of the external auditor from becoming compromised, the committee has a formal policy governing the engagement of the external auditor to provide non-audit services.

Risk Management and internal control

The audit committee review the Group's risk review documentation which is contributed to by Directors and management. Once the audit committee has approved the risk review documentation it is forwarded to the Board for approval.

The audit committee review the auditor's reports on controls within Beales. Management respond to the points raised by the auditor as the management and audit committee view as appropriate.

The audit committee also reviews arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

The committee is responsible for reviewing the Group's internal financial controls and risk management systems. From 4 November 2012 to 11 March 2013 the Group had an internal auditor. From 8 July 2013 the Group appointed a process development manager. The process development manager's role is to improve the accuracy and efficiency of the Group stock system. From 11 March 2013 to 17 July 2013 a consultant from Central Retail Support Limited carried out a limited amount of internal audit work.

William Tuffy
Chairman of the audit committee
28 February 2014

Independent Auditor's Report to the members of Beale PLC

Opinion on financial statements of Beale PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 2 November 2013 and of the group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern

We have reviewed the directors' statement on pages 14 to 15 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Impairment of goodwill, fixed assets and investments The Group's assessment of impairment of goodwill and fixed assets and the Company's assessment of impairment of investments are judgmental processes which require estimates concerning the forecast cash flows and the associated discount rates and growth rates based on management's view of business prospects.	We recalculated the discount rate applied to future cash flows and benchmarked this against other companies operating in the retail sector. We have compared the assumed growth rates and forecast cash flows against historic trends in the business and performed sensitivity analysis based on recent trading activity and our understanding of the future prospects of the business to identify whether these scenarios could give rise to further impairment.

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

Risk	How the scope of our audit responded to the risk
Assumptions underpinning accounting for retirement benefits The determination of the value of the retirement benefit obligation requires significant judgment in the selection of key assumptions and is highly sensitive to changes in these assumptions. Management makes significant judgments in selecting the assumptions to be used for mortality, price inflation, discount rates, future pension increases and earnings growth.	We evaluated the appropriateness of management's assumptions in deriving the defined benefit pension obligation by using our internal pension specialists to benchmark management's assumptions for the discount rate, price inflation and mortality to those used in the external market. We have considered and challenged management's assumptions for future pension increases and earnings growth by comparing the assumptions to recent past trends and management's forecasts. We have considered the supportability of the recognition of the asset relating to the net pension surplus in the current year with reference to the Group's ability to access such benefits under the trust deed, the schedule of contributions and the criteria stipulated by IAS 19 and IFRIC 14.
Revenue Recognition The recognition of revenue on a gross and net basis, including the treatment of discounts, accounting for concessions and accounting for returns and refunds represent significant areas of focus for management. Particularly the accounting processes for the manual adjustments made to account for concession revenues, the judgments made in respect of the amount of revenue to be deferred relating to loyalty cards points earned and the judgments made relating to the allowance that should be made for future returns and refunds.	We tested the operating effectiveness of the internal controls over revenue recognition, particularly surrounding the EPOS polling, reconciliations of store takings, price changes, concession agreements and application of discounts. We performed testing to agree a sample of the concession sales through to the relevant agreement and verified the discount applied to reach the net revenue recorded. We completed analytical procedures by comparing the results for the period against the prior year, after adjusting for known changes in the business and in the specific terms of the concession contracts. We verified the basis of calculation of the revenue adjustments made in respect of loyalty cards and future returns and refunds and verified the accuracy of the calculations with reference to the returns and refunds issued after the year end.
Inventory Management and Provisioning The inventory management process is a significant area of focus for management. There are significant judgments involved in calculating the inventory provision. The two main elements of the provision relate to stock losses and the assessment of net realisable value arising from stock ageing. The provisions are calculated by management based on historic data, with reference to the seasonality of inventory, the relationship of the current selling price to the cost price of the inventory and recent trends in sales.	We assessed the design and implementation of the controls over the inventory management process and performed inventory counts in a sample of stores. We challenged the assumptions used by management in the calculation of the elements of the provision, being the provision for the stock losses and for the net realisable adjustment relating to selling prices, and assessed the appropriateness of these with reference to stock losses made in the prior year and the write-downs made to different categories of inventory at the year end and those planned in the future.

Risk	How the scope of our audit responded to the risk
Funding and Going Concern The Group is reliant on an asset backed lending facility with Burdale Financial Limited and is required to comply with a financial covenant throughout the year relating to the level of trading cash flow, using a calculation based on consolidated profit before tax adjusted for depreciation, capital expenditure, exceptional or extraordinary expenditure and transaction costs, on a rolling 12 month basis, with an additional condition for a period of 14 days between 1 December and 31 January where the borrowings drawn cannot exceed a specified level.	We challenged the judgments and assumptions applied by management in their going concern assessment and in the associated forecasts of financial performance, financial position, cash flow, borrowing headroom and covenant compliance by examining, where appropriate, current business and economic trends, the performance of the business in the year to date and other significant developments during the period to 2 November 2013 and to the date of signing the financial statements. We have considered the reasonableness and obtained supporting evidence for the mitigating actions identified by management that would be available to them to avoid a covenant breach should a potential covenant breach be identified.

The Audit Committee's consideration of these risks is set out on pages 26 to 28.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £0.5m, which is based on consideration of revenue, total current assets and total equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.01m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our audit was conducted at the Head Office of the Group. Beale PLC and J.E. Beale plc were subject to a full audit, whilst the remaining dormant subsidiaries were subject to specified audit procedures where the extent of testing was based on our assessment of the risks of material misstatement and of the materiality of the account balances within those subsidiaries. Beale PLC and J.E. Beale plc represent the principal business units and account for 97% of the Group's net assets, 100% of the Group's revenue and 100% of the Group's loss before tax.

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

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

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

Matters on which we are required to report by exception
Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Other matter
Although not required to do so, the directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Darren Longley FCA
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
28 February 2014

Consolidated Income Statement

For the 52 weeks ended 2 November 2013

	Notes	**52 weeks to 2 November 2013 £000**	53 weeks to 3 November 2012 £000
Gross sales*	3	**120,526**	135,549
Revenue – continuing operations	3	**64,098**	74,609
Cost of sales		**(30,698)**	(36,833)
Gross profit		**33,400**	37,776
Administrative expenses		**(35,797)**	(40,712)
Exceptional administrative expenses	5	**(800)**	(2,082)
Total administrative expenses		**(36,597)**	(42,794)
Operating loss before exceptional items	6	**(2,397)**	(2,936)
Operating Loss – continuing operations	6	**(3,197)**	(5,018)
Finance expense	8	**(789)**	(733)
Finance income	9	**1**	1
Loss on ordinary activities before taxation		**(3,985)**	(5,750)
Taxation credit/(charge)	10	**112**	(59)
Loss for the period from continuing operations attributable to equity members of the parent		**(3,873)**	(5,809)
Basic loss per share	11	**(18.9p)**	(28.3p)
Diluted loss per share	11	**(18.9p)**	(28.3p)

* Gross sales reflect revenue from concession sales and VAT.

The notes on pages 40 to 81 form part of these financial statements.

Consolidated Balance Sheet

As at 2 November 2013

	Notes	**2 November 2013 £000**	3 November 2012 £000
Non-current assets			
Goodwill	12	**892**	892
Property, plant and equipment	14	**23,852**	25,204
Financial assets	15	**-**	16
Derivative asset	30	**1,407**	1,416
Retirement benefit asset	32	**789**	-
		26,940	27,528
Current assets			
Inventories	17	**15,254**	15,816
Trade and other receivables due within one year	18	**2,640**	5,191
Trade and other receivables due after one year	18	**9**	104
Cash and cash equivalents		**194**	454
Restricted cash	13	**1,000**	-
		19,097	21,565
Total assets		**46,037**	49,093
Current liabilities			
Trade and other payables	19	**(14,504)**	(14,449)
Provisions	19	**(100)**	(271)
Preference shares	20	**-**	(307)
Borrowings and overdraft	21	**(1,816)**	(255)
Tax liabilities		**(35)**	(35)
		(16,455)	(15,317)
Net current assets		**2,642**	6,248
Non-current liabilities			
Preference shares	20	**(6,426)**	(6,213)
Borrowings	21	**(7,798)**	(9,025)
Retirement benefit obligations	32	**-**	(1,171)
Lease incentives	22	**(4,389)**	(3,790)
Deferred tax	16	**(2,610)**	(3,066)
Obligations under finance leases	23	**(977)**	(978)
		(22,200)	(24,243)
Total liabilities		**(38,655)**	(39,560)
Net assets		**7,382**	9,533
Equity			
Share capital	25	**1,026**	1,026
Share premium account	27	**440**	440
Revaluation reserve	27	**9,226**	9,082
Capital redemption reserve	27	**570**	54
ESOP reserve	27	**(8)**	(15)
Retained earnings	27	**(3,872)**	(1,054)
Total equity		**7,382**	9,533

The notes on pages 40 to 81 form part of these financial statements. These financial statements of Beale PLC, registered number 02755125, were approved and authorised for issue by the Board of Directors on 28 February 2014 and signed on its behalf by:

William Tuffy
Director

Michael Hitchcock
Director

Company Balance Sheet

As at 2 November 2013

	Notes	**2 November 2013 £000**	3 November 2012 £000
Non-current assets			
Property, plant and equipment	14	**13,621**	13,811
Financial assets	15	**1,369**	5,568
Derivative asset	30	**1,407**	1,416
Loan to subsidiary		**9,000**	9,000
		25,397	29,795
Current assets			
Trade and other receivables due within one year	18	**7,509**	10,486
Cash and cash equivalents		**39**	-
Restricted cash	13	**1,000**	-
		8,548	10,486
Total assets		**33,945**	40,281
Current liabilities			
Trade and other payables	19	**(1,210)**	(218)
Borrowings	21	**-**	(5)
Preference shares	20	**-**	(307)
Tax liabilities		**(20)**	(20)
		(1,230)	(550)
Net current assets		**7,318**	9,936
Non-current liabilities			
Preference shares	20	**(6,426)**	(6,213)
Borrowings	21	**(6,923)**	(7,900)
Deferred tax	16	**(2,136)**	(2,516)
Pension guarantee	24	**(780)**	(379)
Obligations under finance leases	23	**(977)**	(978)
		(17,242)	(17,986)
Total liabilities		**(18,472)**	(18,536)
Net assets		**15,473**	21,745
Equity			
Share capital	25	**1,026**	1,026
Share premium account	27	**440**	440
Revaluation reserve	27	**7,430**	7,295
Capital redemption reserve	27	**570**	54
Retained earnings	27	**6,007**	12,930
Total equity		**15,473**	21,745

The notes on pages 40 to 81 form part of these financial statements. These financial statements of Beale PLC, registered number 02755125, were approved and authorised for issue by the Board of directors on 28 February 2014 and signed on its behalf by:

William Tuffy
Director

Michael Hitchcock
Director

Consolidated Statement of Comprehensive Loss

	Notes	**52 weeks to 2 November 2013 £000**	53 weeks to 3 November 2012 £000
Actuarial gain/(loss) on pension scheme	32	**1,465**	(2,236)
ARCS Loan	21	**-**	500
Tax on revaluation reserve	16	**258**	183
Tax on items taken directly to equity	16	**(1)**	37
Net income/(expense) recognised directly in equity		**1,722**	(1,516)
Loss for the period		**(3,873)**	(5,809)
Total comprehensive loss for the period		**(2,151)**	(7,325)

Consolidated Statement of Changes in Equity

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Opening equity	**9,533**	16,858
Total comprehensive loss for the period	**(2,151)**	(7,325)
Total movements in equity for the period	**(2,151)**	(7,325)
Closing equity	**7,382**	9,533

	Share capital £000	**Share premium account £000**	**Revaluation reserve £000**	**Capital redemption reserve £000**	**ESOP reserve £000**	**Retained earnings £000**	**Total £000**
29 October 2011	1,026	440	9,010	54	(22)	6,350	16,858
Loss for year	-	-	-	-	-	(5,809)	(5,809)
ARCS Loan	-	-	-	-	-	500	500
Deferred tax change on revaluation reserve	-	-	183	-	-	-	183
Tax on comprehensive income	-	-	-	-	-	37	37
Transfer	-	-	(111)	-	-	111	-
Gain	-	-	-	-	7	(7)	-
Net actuarial loss	-	-	-	-	-	(2,236)	(2,236)
3 November 2012	1,026	440	9,082	54	(15)	(1,054)	9,533
Loss for year	**-**	**-**	**-**	**-**	**-**	**(3,873)**	**(3,873)**
Redemption of Preference shares	**-**	**-**	**-**	**516**	**-**	**(516)**	**-**
Deferred tax change on revaluation reserve	**-**	**-**	**258**	**-**	**-**	**-**	**258**
Tax on comprehensive income	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Transfer	**-**	**-**	**(114)**	**-**	**-**	**114**	**-**
Gain	**-**	**-**	**-**	**-**	**7**	**(7)**	**-**
Net actuarial gain	**-**	**-**	**-**	**-**	**-**	**1,465**	**1,465**
2 November 2013	**1,026**	**440**	**9,226**	**570**	**(8)**	**(3,872)**	**7,382**

The notes on pages 40 to 81 form part of these financial statements.

Company Statement of Comprehensive Loss

	Notes	**52 weeks to 2 November 2013 £000**	53 weeks to 3 November 2012 £000
Revaluation net of deferred tax	14	**-**	-
Tax on revaluation reserve	16	**226**	160
Tax on items taken directly to equity	16	**72**	52
Net income recognised directly in equity		**298**	212
Loss for the period		**(6,570)**	(1,350)
Total comprehensive loss for the period		**(6,272)**	(1,138)

Company Statement of Changes in Equity

	Notes	**52 weeks to 2 November 2013 £000**	53 weeks to 3 November 2012 £000
Opening equity		**21,745**	22,883
Total comprehensive loss for the period		**(6,272)**	(1,138)
Total movements in equity for the period		**(6,272)**	(1,138)
Closing equity		**15,473**	21,745

	Share capital £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
29 October 2011	1,026	440	7,222	54	14,141	22,883
Loss for year	-	-	-	-	(1,350)	(1,350)
Deferred tax on revaluation reserve	-	-	160	-	-	160
Tax on comprehensive income	-	-	-	-	52	52
Transfer	-	-	(87)	-	87	-
3 November 2012	1,026	440	7,295	54	12,930	21,745
Loss for year	**-**	**-**	**-**	**-**	**(6,570)**	**(6,570)**
Redemption of preference shares	**-**	**-**	**-**	**516**	**(516)**	**-**
Deferred tax on revaluation reserve	**-**	**-**	**226**	**-**	**-**	**226**
Tax on comprehensive income	**-**	**-**	**-**	**-**	**72**	**72**
Transfer	**-**	**-**	**(91)**	**-**	**91**	**-**
2 November 2013	**1,026**	**440**	**7,430**	**570**	**6,007**	**15,473**

The notes on pages 40 to 81 form part of these financial statements.

Consolidated Cash Flow Statement

For the 52 weeks ended 2 November 2013

	Notes	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Cash flows generated from/(used in) operating activities before interest and tax	28	**1,927**	(2,493)
Interest paid		**(368)**	(360)
Interest received		**1**	1
Net cash flow generated from/(used in) operating activities		**1,560**	(2,852)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(675)**	(1,611)
Proceeds from maturing investment		**37**	-
Net cash used in investing activities		**(638)**	(1,611)
Cash flows from financing activities			
Preference shares redeemed		**(515)**	-
Net expense from obligations under finance leases		**(1)**	(1)
(Decrease)/increase in bank loans		**(977)**	4,800
Decrease in Panther/ARCS Loan		**(125)**	(625)
Net cash (used in)/generated from financing activities		**(1,618)**	4,174
Net decrease in cash and cash equivalents in the period		**(696)**	(289)
Cash and cash equivalents at beginning of period		**449**	738
Cash and cash equivalents (including overdrafts) at end of period (including restricted cash)		**(247)**	449

Company Cash Flow Statement

For the 52 weeks ended 2 November 2013

	Notes	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Cash flows generated from/(used in) operating activities before interest and tax	28	**2,503**	(4,936)
Interest paid		**(305)**	(258)
Interest received		**339**	347
Net cash flow generated from/(used in) operating activities		**2,537**	(4,847)
Cash flows from financing activities			
Preference shares redeemed		**(515)**	-
Net expense from obligations under finance leases		**(1)**	(1)
Increase in bank loans		**(977)**	4,800
Net cash (used in)/generated from financing activities		**(1,493)**	4,799
Net increase/(decrease) in cash and cash equivalents in the period		**1,044**	(48)
Cash and cash equivalents at beginning of period		**(5)**	43
Cash and cash equivalents (including overdrafts) at end of period		**1,039**	(5)

The notes on pages 40 to 81 form part of these financial statement.

Notes to the financial statements

1 Accounting policies

General information

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

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

- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 14 Fair Value Measurement
- IAS 1 (amendments) Presentation of Financial Statements
- IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

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

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

- IFRS 9 Financial Instruments
- IAS 27 (amendments) Investment Entities
- IAS 36 (amendments) Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 (amendments) Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC Interpretation 21 Levies

The directors do not expect that the adoption of the standards and interpretations listed above will have a material impact on the financial statements of the Group in future periods, except as that IFRS 9 will impact both the measurement and disclosures of financial instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Going concern

From 4 November 2012 to 1 February 2013 the Group and Company met their day-to-day working capital requirements through the use of one principal HSBC bank loan facility of £8.5m (which was repayable on 31 October 2015) and an overdraft facility of £0.1m which was repayable on demand.

On 1 February 2013 the Group entered into a new loan facility with Burdale Financial Limited. The terms of that loan facility are for up to a maximum of £12.0m Senior Secured Credit Facilities. The facilities are secured by a debenture over most of the present and future assets and undertakings of the Group. The new bank facilities include one financial covenant which requires the Group to procure that trading cash flow in respect of each review period as set out in the facility agreement shall not be less than the amounts agreed between the Group and the lender based on financial projections. At the moment the trading cash flow covenants are only stated to the end of October 2014. The bank facility states that, for covenant levels beyond October 2014, the lender, acting reasonably, will determine new trading cash flow covenant levels for the following financial year based on the Annual Revised Forecasts and consistent with the methodology applied by the lender in determining the financial covenant levels set out in the agreement. In addition there is a condition that for a period of 14 days between 1 December and 31 January each year drawings do not exceed £2.5m other than the period 1 December 2013 to 31 January 2014 where the limit shall be £3.0m.

As noted in the Chief Executive's Statement on pages 10 to 12 all retailers face a very challenging and competitive trading environment and there are a number of risks and uncertainties facing the Group which are likely to impact its future development, performance and position. We are continually assessing our performance and managing these risks and uncertainties in considering the appropriate resources required for the Group. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 13 to 15.

1 Accounting policies continued

In addition, note 30 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, interest rate risk, market risk and liquidity risk.

The directors have prepared forecast information for the 2013/14 year and a three year corporate plan. Based on these forecasts, forward covenant tests to October 2014, after applying financial sensitivities based on reasonably possible alternative trading scenarios and mitigating actions, show that the covenant is not forecast to be breached in the period to October 2014. Since the year end, executive management has made further progress to create additional headroom to borrowing facilities in case of negative trading movements. Collaboration amongst all the key stakeholders in the business including, principal lender, shareholders, landlords, suppliers, and pension trustees have all played a cooperative and communicative part in some way to assist the executive management whilst the business turns itself around. Whilst the specific nature of this assistance is required to remain confidential, the assistance largely takes the form of enhancing cash availability and creating headroom to borrowing facilities in case of negative trading movements. The forecast and corporate plan are based on market data and past experience and the directors have formed a judgement that at the time of approving these financial statements, based on those forecasts and projections, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. On this basis the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The director's statement that the business is a going concern has been prepared in accordance with "Guidance on going concern and liquidity risk: guidance for Directors UK companies 2009".

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties and long leaseholds. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings made up to the 52 weeks ended 2 November 2013 (53 weeks ended 3 November 2012), the Saturday closest to 31 October. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

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

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. In determining the fair value of the assets acquired the Group ensures it correctly identifies all assets and all of the liabilities assumed. Where after assessment the value paid is less than the fair value of the assets acquired this creates negative goodwill which is credited to profit.

Notes to the financial statements continued

1 Accounting policies continued

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill

The assets and liabilities of subsidiary undertakings and businesses acquired are incorporated at their fair value at the date of acquisition. Goodwill is measured at cost, being the excess of the consideration paid for the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Provisional fair values are finalised within 12 months of the acquisition. An acquirer's initial calculation may indicate that the acquisition has resulted in a bargain purchase in that the net assets acquired exceed the purchase considerations. If after reassessment that the Group has identified all the assets acquired and all the liabilities assumed the Group's interest in the fair value of the acquiree's net assets exceeds the value paid, the excess negative goodwill is recognised immediately in the income statement. Goodwill arising on acquisition is held on the balance sheet at cost and is subject to annual impairment reviews. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Prior to the transition to IFRS, goodwill was amortised over 20 years. From 29 October 2004 goodwill has been frozen subject to impairment reviews.

Impairment of tangible and intangible assets including investments, excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets including investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

1 Accounting policies continued

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revenue

Revenue represents the amount receivable by the Group arising from the supply of goods and services to customers net of VAT, discounts and estimated returns and includes the profit contribution earned on agency sales (including concession departments) and interest on customers' accounts. Revenue is recognised when goods are delivered and title has passed. Gross sales reflect revenue inclusive of concession sales and VAT.

Operating profit/loss

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

Non GAAP measures

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

Loyalty scheme

In May 2012 the Group launched a loyalty card, whereby customers earn points per pound spent when making purchases in the Group's department stores. Points accrued by customers are converted into vouchers twice a year, February and August, for every 100 points earned. These vouchers expire approximately 8 weeks from the issue date, any expired vouchers are void. Approximately 60% of the vouchers issued have been found to be tendered in the store during the redemption period.

Points accrued are recognised as deferred income until the point at which the vouchers are redeemed in store, when they are released to the income statement. A provision is made for all points not converted and earned from the latest conversion date to the year end at 60% of the conversion value.

Leased assets

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

Finance leases

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

Operating leases

Minimum lease payments, incorporating any pre-determined rental increase, are charged to income on a straight-line basis over the life of the lease.

Notes to the financial statements continued

1 Accounting policies continued

Lease incentives and contributions

Lease incentives, rent free periods and capital contributions received from landlords are amortised to the income statement over the life of the lease on a straight-line basis, unless another systematic basis is representative of the Group's benefit from the use of the leased asset.

Property, plant and equipment

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

Depreciation on revalued buildings is charged to income. On the subsequent sale of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Depreciation is provided for on the straight-line basis so that assets are written down to residual values over their expected useful life. Freehold land is not depreciated as its useful life is indefinite. Freehold buildings are depreciated at 2% per annum. The rate applied to computers and motor vehicles is 25%. The rate applied to fixtures and fittings and EPOS cash registers is 10%.

Costs incurred in entering a lease and of leasehold improvements are included in fixed assets and depreciated on a straight-line basis over the life of the lease. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Fixed asset investments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price including any rebates and, where applicable, those costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price. Advertising and promotional stock is expensed at the time of purchase. The value of stock in the financial statements is reduced by provisions for stock loss and stock aging. The provision against inventory reduces the value below cost and is therefore subject to the judgement of the directors. Changes in customer demand can give rise to future changes in the value of inventory held.

Financial instruments

Financial assets and financial liabilities relating to financial instruments are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1 Accounting policies continued

Derivatives

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

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Restricted cash

Restricted cash is cash held on deposit by HSBC as security. It will be returned to the Group during the year ended 1 November 2014.

Preference shares

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

Bank and other borrowings

Interest-bearing bank and other loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are measured at fair value.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements continued

1 Accounting policies continued

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, and is not discounted. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if:
(a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
    (i) the same taxable company; or
    (ii) different taxable companies which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Retirement benefit costs

The Group participates in the Beales pension scheme and the Denners pension scheme which provide members with benefits relating to salary and service. Payments are made into pension trusts, which are financially separate from the Group, in accordance with advice from consulting actuaries in relation to the final salary schemes. The defined contribution section of the Beales pension scheme was closed on 1 September 2013 and the Group opened a Group personal pension scheme with Scottish Widows and the People's Pension as part of auto-enrolment.

(a) Final salary section

The current service cost, being the cost of benefits accrued and pension scheme expenses in the reporting period is recognised in operating expenses. Interest accrued on pension liabilities and the expected return on assets held by the scheme are also charged or credited within operating expenses in the income statement.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Actuarial gains and losses are recognised in full in the year in which they occur. They are recognised outside the consolidated income statement and presented in the statement of comprehensive income and expense. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of scheme assets at the previous year end date. IFRIC 14 only allows companies to recognise scheme surpluses as an asset if the entity can realise economic benefits in the form of a refund or a reduction in future contributions.

(b) Defined contribution section

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

(c) Group personal pension

The amount charged against profits in relation to the Group personal pension scheme represents contributions payable to the scheme for the accounting period.

1 Accounting policies continued

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Dilapidations

Provisions are made in the financial statements for dilapidations. The dilapidations provision represents the directors' best estimate of the potential obligations in relation to property dilapidations.

Share-based payments

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

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

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

2 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 1, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below:

Retirement benefits

Retirement benefits are accounted for under IAS 19 'Employee Benefits'. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value.

Because of changing market and economic conditions, the expenses and liabilities actually arising under the plans in the future may differ materially from the estimates made on the basis of these actuarial assumptions. The plan assets are partially comprised of equity and fixed-income instruments.

Therefore, declining returns on equity markets and markets for fixed-income instruments could necessitate additional contributions to the plans in order to cover future pension obligations. Also, higher or lower withdrawal rates or longer or shorter life of participants may have an impact on the amount of pension income or expense recorded in the future.

The interest rate used to discount post-employment benefit obligations to present value is derived from the yields of senior, high-quality corporate bonds at the balance sheet date. These generally include AA-rated securities. The discount rate is based on the yield of a portfolio of bonds whose weighted residual maturities approximately correspond to the duration necessary to cover the entire benefit obligation.

Notes to the financial statements continued

2 Critical accounting judgements and key sources of estimation uncertainty continued

Pension and other post-retirement benefits are inherently long term, and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post-retirement charges'. Note 32 to the consolidated financial statements describes the principal discount rate, earnings increase, and pension retirement benefit obligation assumptions that have been used to determine the pension and post-retirement charges in accordance with IAS 19. The calculation of any charge relating to 'retirement benefits' is clearly dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are determined by the directors and are based on prior experience, market conditions and the advice of scheme actuaries.

At 2 November 2013, the Group's net pension surplus was £0.8m, compared with a net liability of £1.17m as at 3 November 2012.

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

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

Stores' property, plant and equipment, goodwill and investments are reviewed for impairment on an annual basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Such circumstances or events could include: a pattern of losses involving the store asset; a decline in the market value for a particular store asset; and an adverse change in the business or market in which the store asset is involved. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining what cash flow is directly related to the potentially impaired asset, the useful life over which cash flows will occur and their amount and the asset's residual value, if any. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets, goodwill and investments of assets involve the exercise of a significant amount of judgement.

Property valuation

Property valuations conform to international valuation standards and are based on recent market transactions on arm's length terms for similar properties. The estimate is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and the general economic conditions more challenging, further details are provided in note 14.

Derivative

The valuation of the embedded derivative is valued by a third party based on the assumption that the Group can borrow at 5% *(2012: 5.0%)* over LIBOR without security. The estimate is subject to market conditions which affect the valuation.

Provisions

Provision is made in respect of legal and other matters. Provisions are recognised when management can make a reliable estimate and are satisfied that the liability is probable. However, such liabilities depend on the actions of third parties and on the specific circumstances pertaining to each obligation, neither of which is fully controllable by the Group. On the 17th November 2012 the Group closed its store card facility. It has maintained a similar method of bad debt provisioning as adopted in the previous year.

There is a degree of uncertainty when determining stock provisions. Various dilapidation provisions are in the financial statements, these are also subject to uncertainty.

The revenue figure in the accounts is affected by certain provisions. A provision is made at year end for all loyalty points earned but not converted as at the year end date. This provision is based on latest conversion data. The Group provides for refunds, which is calculated by reviewing refund data post year end. There is a degree of uncertainty in the final outcome of such provisions.

Inventory valuation

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

3 Revenue

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

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Gross sales	**120,526**	135,549
VAT	**(19,934)**	(22,207)
Gross sales (exc. VAT)	**100,592**	113,342
Agency sales less commission	**(36,494)**	(38,733)
Revenue	**64,098**	74,609

Analysis of gross sales (excluding VAT) and revenue:

	Gross sales £000	**52 weeks to 2 November 2013 Revenue £000**	Gross sales £000	53 weeks to 3 November 2012 Revenue £000
Own bought sales	**51,407**	**51,407**	60,893	60,893
Concession sales	**49,083**	**12,589**	52,081	13,348
Interest on customer accounts	**102**	**102**	368	368
	100,592	**64,098**	113,342	74,609

4 Segmental information

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

Notes to the financial statements continued

5 Net Exceptional expense

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

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Exceptional income on Tonbridge	**250**	-
Fixed asset impairment	**(582)**	(1,410)
Refinancing and cost of move from premium to standard listing	**(468)**	-
Exceptional store card closure and redundancy cost	**-**	(501)
Other exceptional costs	**-**	(171)
Total net exceptional expense	**(800)**	(2,082)

The income on Tonbridge relates a proportion of the £1.0m received by J.E. Beale plc following signing of a conditional agreement which may give rise to the surrender of the Tonbridge lease.

The fixed asset impairment occurs where the carrying value of certain store fixed assets exceeded the future value expected to be derived from holding the assets.

Refinancing are legal, consultancy and banking costs associated with refinancing and the change of listing status. Costs directly linked to the move from premium to standard listing were £0.05m.

6 Operating loss

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Operating loss is arrived at after charging/(crediting) the following:		
Cost of inventories recognised as an expense	**30,698**	36,833
Depreciation of property, plant and equipment		
— owned assets	**1,310**	1,482
— finance lease	**102**	101
Exceptional item (note 5)	**218**	672
Fixed Asset Impairment (note 5)	**582**	1,410
Rentals chargeable under operating leases		
— property	**5,493**	6,037
— plant & equipment	**207**	293
Staff costs (note 7)	**16,545**	19,178
Fees payable to the Group's auditor for the audit of the Group's annual accounts		
— statutory audit	**70**	65
— audit-related regulatory reporting	**7**	7
	77	72
Fees payable to the Group's auditor and their associates for other services to the Group		
— transaction services	**40**	-
— tax compliance services	**17**	13
— tax advisory services	**8**	9
	65	22
Total auditor's remuneration	**142**	94

The total auditor's remuneration incurred by the Company was £13,000 *(2012: £12,000)* for audit work and £49,250 *(2012: £8,250)* for tax, transaction services and other work.

Notes to the financial statements continued

7 Information regarding directors and employees

Details of directors' emoluments and beneficial interests are provided within the Remuneration Report on pages 82 to 93.

	2013	2012
The average number of persons (including directors) employed by the Group during the year was:		
Full time	**488**	625
Part time	**890**	1,019
	1,378	1,644

		52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Staff costs for the above:			
Wages and salaries		**15,259**	17,806
Social security costs		**811**	930
Pension costs	— Current service cost (see note 32)	**266**	207
	— Defined contribution (see note 32)	**153**	228
	— GPP	**29**	-
	— Other pension contribution	**27**	7
		16,545	19,178

8 Finance expense

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Interest payable on bank loans and overdrafts	**(276)**	(236)
ARCS loan interest payable	**(59)**	(101)
Finance charge on preference shares	**(421)**	(373)
Finance lease charges	**(33)**	(33)
Other interest payable	**-**	10
Total interest payable	**(789)**	(733)

9 Finance income

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Interest receivable on customers' accounts and bank interest	**103**	369
Less interest on customers' accounts included in revenue	**(102)**	(368)
Total interest receivable	**1**	1

10 Tax

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Current tax	**-**	-
Current year	**-**	-
Adjustment in respect of prior years	**-**	-
	-	-
Deferred tax (note 16)		
Current year	**25**	60
Adjustment in respect of prior years	**87**	(119)
	112	(59)
Taxation on loss for period	**112**	(59)

The tax credit for the period is different from the standard rate of corporation tax in the UK of 23% *(2012: 24.82%)*. The differences are explained below:

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Loss on ordinary activities before tax	**(3,985)**	(5,750)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 23% *(2012: 24.82%)*	**(916)**	(1,427)
Tax on loss on ordinary activities Effects of:		
Non taxable income	**-**	-
Pension	**(99)**	(293)
Prior year deferred taxation	**(87)**	119
Non-qualifying depreciation	**86**	125
Other	**124**	(161)
Impact of deferred tax asset not recognised	**780**	1,696
Total tax (credit)/charge	**(112)**	59

Notes to the financial statements continued

10 Tax continued

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

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Current tax		
Deferred tax:		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of property	**(7)**	(12)
Rate change on revaluation reserve	**(251)**	(171)
Property	**1**	10
Rate change on property	**(68)**	(47)
Other	**68**	-
Total income tax recognised in other comprehensive income	**(257)**	(220)

The Finance Act 2013, which provides for a reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

As at 2 November 2013 the Group had carried forward tax losses on which deferred tax was not recognised of £3,210,185 *(2012: £3,004,026)*.

11 Loss per share

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Weighted average number of shares in issue for the purpose of basic earnings per share	**20,524,797**	20,524,797
Dilution – share reward schemes	**228,312**	781,562
Diluted weighted average number of shares in issue	**20,753,109**	21,306,359

	£000	£000
Loss for basic and diluted earnings per share	**(3,873)**	(5,809)

	Pence	Pence
Basic loss per share	**(18.9)**	(28.3)
Basic loss per share before exceptional item	**(14.97)**	(18.16)
Diluted loss per share	**(18.9)**	(28.3)

No dividend was paid *(2012: nil per share)*.

12 Goodwill

	£000
Carrying amount at 29 October 2011	892
Carrying amount at 3 November 2012	892
Carrying amount at 2 November 2013	**892**

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

The Group prepares discounted cashflows derived from the most recent financial estimates and projections which are approved by the Board.

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

	2013 £000	2012 £000
Kendal	**74**	74
Tonbridge	**284**	284
Worthing	**364**	364
Yeovil	**170**	170
	892	892

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

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

For the purposes of the impairment review, revenue increases were projected for the three years ended October 2016 at 2-3% growth per annum for each of the department stores. A discount rate of 10% *(2012: 10%)* was applied to the cashflow projections. The Board has conducted a sensitivity analysis on the impairment test and does not perceive that a reasonable change in key assumptions would cause the recoverable amount to be less than its carrying amount. As at 2 November 2013, revenue forecasts for the three years ended October 2016, could reduce by 8% per annum before any impairment would be required.

13 Restricted Cash

	Group		**Company**	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Restricted Cash	**1,000**	-	**1,000**	-

The restricted cash of £1.0m relates to a cash deposit held by HSBC as security. The deposit becomes available to the Group when HSBC is satisfied that there is and will be no outstanding debt. The restricted cash will be returned to the Group in 2013/14 and £516,000 of the restricted cash is linked to the Group guarantee with HSBC being cancelled.

Notes to the financial statements continued

14 Property, plant and equipment

Group	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Cost or valuation					
At 29 October 2011	12,620	5,750	1,466	31,920	51,756
Additions	-	-	15	1,596	1,611
At 3 November 2012	12,620	5,750	1,481	33,516	53,367
Additions	-	-	17	658	675
Disposal	-	-	(99)	(399)	(498)
At 2 November 2013	**12,620**	**5,750**	**1,399**	**33,775**	**53,544**
Accumulated depreciation and impairment:					
At 29 October 2011	-	-	776	24,394	25,170
Depreciation	122	101	64	1,296	1,583
Impairment	-	-	146	1,264	1,410
At 3 November 2012	122	101	986	26,954	28,163
Depreciation	123	102	53	1,134	1,412
Disposal	-	-	(99)	(366)	(465)
Impairment	-	-	12	570	582
At 2 November 2013	**245**	**203**	**952**	**28,292**	**29,692**
Net book value at 2 November 2013	**12,375**	**5,547**	**447**	**5,483**	**23,852**
Net book value at 3 November 2012	12,498	5,649	495	6,562	25,204
Net book value at 29 October 2011	12,620	5,750	690	7,526	26,586

Following an impairment review carried out by the directors a charge of £0.6m *(2012: £1.4m)* has been included in exceptional items where the carrying value of certain individual store fixed assets exceed the future value expected to be derived from holding the assets.

The carrying amount of the Group's long leasehold of £5,547,000 *(2012: £5,649,000)* is in respect of an asset held under a finance lease. Freeholds having a carrying amount of approximately £12.4m *(2012: £12.5m)* secure banking facilities granted to the Group and are charged to the Beales Pension Scheme.

14 Property, plant and equipment continued

Land, buildings and long leaseholds were revalued at 29 October 2011 by Colliers International UK PLC, chartered surveyors, on the basis of market value. The valuation conformed to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The future movement in the valuation is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and general economic conditions more challenging. The directors considered the total return shop movement property index over the past year and concluded that no changes were required to the property valuations. If fixed assets had not been revalued, they would have been included at the following historical cost amounts:

Group	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Net book value					
2 November 2013	**6,981**	**79**	**447**	**5,483**	**12,990**
3 November 2012	7,061	81	495	6,562	14,199
29 October 2011	7,143	82	690	7,526	15,441

Company	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Cost or valuation:					
At 29 October 2011	8,250	5,750	3	851	14,854
At 3 November 2012	8,250	5,750	3	851	14,854
At 2 November 2013	**8,250**	**5,750**	**3**	**851**	**14,854**
Accumulated depreciation and impairment:					
At 29 October 2011	-	-	2	851	853
Charge for year	88	102	-	-	190
At 3 November 2012	88	102	2	851	1,043
Charge for year	88	102	-	-	190
At 2 November 2013	**176**	**204**	**2**	**851**	**1,233**
Net book value 2 November 2013	**8,074**	**5,546**	**1**	**-**	**13,621**
Net book value at 3 November 2012	8,162	5,648	1	-	13,811
Net book value at 29 October 2011	8,250	5,750	1	-	14,001

The carrying amount of the Company's long leasehold of £5.5m *(2012: £5.6m)* is in respect of an asset held under a finance lease.

Freeholds having a carrying amount of approximately £8.1m *(2012: £8.2m)* secure banking facilities granted to the Company and are charged to the Beales Pension Scheme.

Notes to the financial statements continued

14 Property, plant and equipment

Land, buildings and long leaseholds, were revalued at 29 October 2011 by Collier International UK PLC, chartered surveyors, on the basis of market value. The valuation conformed to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The future movement in the valuation is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and general economic conditions more challenging. The directors considered the total return shop movement property index over the past year and concluded that no changes were required to the property valuation. If fixed assets had not been revalued, they would have been included at the following historical cost amounts:

Company	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
Net book value					
2 November 2013	**4,116**	**659**	**1**	**-**	**4,776**
3 November 2012	4,179	671	1	-	4,851
29 October 2011	4,246	683	1	-	4,930

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

	Group		**Company**	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Capital commitments				
Capital expenditure contracted for but not provided for in the financial statements	**54**	11	**-**	-

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets including investments to determine whether there is any indication that those assets have suffered an impairment loss.

15 Financial assets

	Group		**Company**	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Shares in subsidiaries at cost:				
J.E. Beale plc	**-**	-	**-**	1,030
Denners Limited	**-**	-	**589**	4,159
Pension guarantee asset (note 24)	**-**	-	**780**	379
Available for sale:				
Held to maturity investments carried at cost:	**-**	-	**-**	-
Unlisted investment - Debenture	**-**	16	**-**	-
	-	16	**1,369**	5,568
Derivative	**1,407**	1,416	**1,407**	1,416
	1,407	1,432	**2,776**	6,984

15 Financial assets continued

On 3 July 2009 Beale PLC issued a pension guarantee, which was fair valued at £0.6m and was being amortised over its useful economic life of 8 years. On 28 June 2012 the useful economic life was extended to 14 years to reflect the agreement to extend the pension deficit recovery period to 31 August 2023. On 1 February 2013 Beale PLC varied the pension guarantee from £6.0m to £8.4m, fair valued at £0.8m. In line with initial accounting treatment, the directors have concluded that the historic probability of default, being 10%, is appropriate, and consequently the pension guarantee asset continues to be amortised over its remaining useful economic life of 10 years and 7 months.

Given the loss making nature of the Group, and the net liability position of J.E. Beale plc, the Directors have forecast forward J.E. Beale plc's trading position in perpetuity. The Directors have adopted a prudent approach to the investment in J.E. Beale plc and Denners Limited and written off £4.6m of the investment as impaired.

The unlisted investment related to a debenture in the Associated Independent Stores Limited. The debenture returned interest at 5% per annum which is payable annually and matured on 31 December 2012 at a value of £36,965.

At 2 November 2013 and 3 November 2012, the Company held, directly, the whole of the issued ordinary share capital in J.E. Beale plc and Denners Limited, both of which are incorporated in England and Wales. Denners Limited is dormant.

An embedded derivative of £1.41m *(2012: £1.42m)* is shown in relation to the prepayment option arising on the 7,983,953 preference shares (note 30). The value of the derivative has been affected by both the cost of Group borrowing at 5% over LIBOR together with repayment of 306,612 £1 preference shares following the closure of the Skipton store and repayment of 209,435 £1 preference shares following the closure of the Cinderford store.

16 Deferred tax

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

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Deferred tax liabilities	**(2,610)**	(3,066)	**(2,136)**	(2,516)

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

Group Deferred tax liabilities	**Rolled over gains £000**	**Accelerated tax depreciation £000**	**Revaluation gains £000**	**Property £000**	**Other £000**	**Total £000**
As at 4 November 2012	(245)	(237)	(1,925)	(720)	61	(3,066)
Credit to operating expense	-	-	-	45	42	87
Credit to income	-	63	30	19	-	112
Credit/(charge) to equity	32	31	258	67	(131)	257
As at 2 November 2013	**(213)**	**(143)**	**(1,637)**	**(589)**	**(28)**	**(2,610)**

Company Deferred tax liabilities	**Accelerated tax depreciation £000**	**Revaluation gains £000**	**Property £000**	**Other £000**	Total £000
As at 4 November 2012	1	(1,666)	(525)	(326)	(2,516)
Charge to operating expense	-	-	-	45	45
Credit to income	-	23	14	-	37
Credit to equity	-	226	72	-	298
As at 2 November 2013	**1**	**(1,417)**	**(439)**	**(281)**	**(2,136)**

Notes to the financial statements continued

17 Inventories

	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Finished goods for resale	**15,254**	15,816	**-**	-

Finished goods for resale are stated after deducting a stock ageing and loss provision of £948,000 *(2012: £1,211,000)*. An amount of £263,000 *(2012: Nil)* was credited to cost of sales as a result of decreasing the stock provision. All finished goods for resale are disclosed at the lower of cost and net realisable value.

18 Trade and other receivables

	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Amounts due within one year				
Trade receivables	**376**	2,260	**-**	-
Allowance for doubtful debts	**(72)**	(72)	**-**	-
	304	2,188	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**7,500**	10,473
Prepayments and accrued income	**2,336**	3,003	**9**	13
	2,640	5,191	**7,509**	10,486
Amounts due after one year				
Trade receivables	**9**	104	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**-**	-
	9	104	**-**	-
Total receivables	**2,649**	5,295	**7,509**	10,486

Trade receivables

Trade receivables contain store card balances and interest-free credit balances.

Due to the nature of the business, credit risk is not considered to be significant and anticipated losses are included in the provision above. During the year £32,000 *(2012: £25,000)* of bad debts were written off.

Store card holders are required to pay 5% of the account balance, or £5 if greater, on a monthly basis. Interest is charged at 24.9% APR and 22.5% APR (if payment is by direct debit). Before accepting most new customers the Group used an external company to assist in determining a customer's credit quality. The Group closed its in house credit business on 17 November 2012. The store card and interest free balances will continue to be collected by the customer accounts department over the coming months. We continue to issue statements to customers on a monthly basis as part of this collection process. In the 2012/2013 year we have allowed customers who have not paid off their accounts to carry on making repayment on the terms outlined above and the ageing of balances below has been determined on that basis.

18 Trade and other receivables continued

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

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
60 - 90 days	**-**	13	**-**	-
90+ days	**-**	-	**-**	-
	-	13	**-**	-

Movement in allowance for doubtful debts

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Balance at beginning of period	**72**	69	**-**	-
Additional provision made	**58**	53	**-**	-
Amount recovered during the year	**(26)**	(28)	**-**	-
Impairment losses recognised	**(32)**	(25)	**-**	-
Increase in provision	**-**	3	**-**	-
Balance at end of period	**72**	72	**-**	-

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

Ageing of the total balance of impaired receivables

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Less than 60 days	**18**	-	**-**	-
60 - 90 days	**10**	28	**-**	-
90 -120 days	**4**	10	**-**	-
120+ days	**40**	34	**-**	-
	72	72	**-**	-

Notes to the financial statements continued

19 Trade and other payables

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
a) Amounts falling due within one year				
Trade payables	**8,698**	8,168	**29**	—
Amount owed to subsidiaries	**—**	—	**816**	—
Other taxation and social security	**1,178**	763	**—**	—
Accruals and deferred income	**4,628**	5,518	**365**	218
	14,504	14,449	**1,210**	218

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
b) Provision				
Restructuring/Dilapidation cost	**100**	271	**—**	—
Current provision	**100**	271	**—**	—
Non current provision	**—**	—	**—**	—
	100	271	**—**	—

	Carrying amount 4 November 2012 £000	Amount used/ charged to the provision in year £000	Unused amounts reversed during period £000	Carrying amount of provision as at 2 November 2013 £000
Dilapidations	170	—	(70)	**100**
Redundancy	101	(101)	—	**—**
	271	(101)	(70)	**100**

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

The £100,000 dilapidation provision represent director's estimate of the future outflow in relation to a warehouse which was vacated in 2013. It is anticipated that this liability will be settled in the first half of 2014.

20 Preference shares

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Redeemable within one year	**—**	307	**—**	307
Redeemable after one year	**6,426**	6,213	**6,426**	6,213
Preference shares	**6,426**	6,520	**6,426**	6,520

20 Preference shares continued

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

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

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

Going forward the preference shares are being accounted for on an amortised cost basis. However, the redemption of 306,612 £1 preference shares on 7 December 2012 and the redemption of 209,435 £1 preference shares on 30 September 2013 changed the cashflows in the model. The early redemption resulted in the preference liability decreasing by £121,000. On the amortised cost basis they are valued at £6.43m at 2 November 2013. The effective interest rate arising is 2013: 7.11% *(2012: 7.11%)*.

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

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

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

Subject to the 2006 Act, the company has the option to redeem, at nominal value, any of the preference shares at any time. This redemption option gives rise to an embedded derivative asset which is recognised at fair value on the balance sheet. The Company is required to redeem any such shares that have not been converted half-yearly in two equal installments of £500,000 payable on 30 November and 31 May in each relevant financial year, the first such redemption to be made on 31 May 2017 will only be £483,953 as 306,612 £1 preference shares were redeemed on 7 December 2012 and 209,435 £1 preference shares were redeemed on 30 September 2013.

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. Furthermore, should the Group cease trading and fully close down and cease to operate any of the stores acquired from ARCS on 22 May 2011, then an amount of preference shares equivalent to the value of the stock relating to that store as at 22 May 2011 will be redeemed. The impact on the balance sheet value of the preference shares is discussed above and in the embedded derivative in note 30.

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

Notes to the financial statements continued

21 Borrowings

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Borrowings				
Panther/ARCS loan	**1,250**	1,375	**-**	-
Bank overdrafts	**1,441**	5	**-**	5
Bank loans	**6,923**	7,900	**6,923**	7,900
	9,614	9,280	**6,923**	7,905
The borrowings are repayable as follows:				
On demand or within one year	**1,816**	255	**-**	5
In the second year	**250**	250	**-**	-
In the third to the fifth year	**7,548**	8,775	**6,923**	7,900
Total	**9,614**	9,280	**6,923**	7,905
Less amount due for settlement within 12 months	**(1,816)**	(255)	**-**	(5)
Amount due for settlement after 12 months	**7,798**	9,025	**6,923**	7,900

Group bank borrowings

(a) From 4 November 2012 to 31 January 2013 the Group had banking facilities consisting of a £112,000 overdraft facility which was repayable on demand and an £8.5m revolving loan facility which, following a negotiated extension, had an expiry date of 31 October 2015. Over the term of the loan the size of the facility falls to £3m by 31 October 2015. The facilities were secured over the Group's freehold interests. The bank facilities contained a number of key covenants, the covenant with the least headroom being earnings before interest, tax, depreciation amortisation which is measured every 6 months. The loan interest on the facilities was 3% above the LIBOR rate up to 28 June 2012 increasing from 29 June 2012 to 5% above LIBOR.

On 1 February 2013 the Group entered into a new loan facility with Burdale Financial Limited. The actual size of the facility available on any day is dependent on the Group stock and property value. The terms of that loan facility are for up to a maximum of £12m Senior Secured Credit Facilities. The facilities are secured by a debenture over most of the present and future assets and undertakings. The new bank facilities include one financial covenant which requires the Company shall procure that trading cash flow in respect of each review period as set out in the facility agreement shall not be less than the amounts agreed between the Company and the lender based on financial projections. At the moment the trading cash flow covenants are only stated to the end of October 2014. The bank facility states that, for covenant levels beyond October 2014, the lender, acting reasonably, will determine new trading cash flow covenant levels for the following financial year based on the Annual Revised Forecasts and consistent with the methodology applied by the lender in determining the financial covenant levels set out in the agreement. In addition, there is a condition that for a period of 14 days between 1 December and 31 January each year drawings do not exceed £2.5m, other than the period 1 December 2013 and 31 January 2014 in which case the limit shall be £3m. The Burdale loan facilities are charged at 2.75% above LIBOR. However, in the facility agreement it states for the purpose of calculating interest any repayments received shall be credited to the revolving loan facility three business days following receipt by the lender.

(b) From 1 February 2013 the Group did not have an overdraft facility. Prior to 1 February 2013 there was a facility with HSBC. Bank overdrafts were repayable on demand. Overdrafts of £1.4m *(2012: £5,530)*. The 2013 overdraft of £1.4m is a result of the loan contra of £1.6m less bank balance of £0.02m. The average effective interest rate on bank overdrafts approximates 5.49% *(2012: 4.29%)* per annum and is determined based on 3% over LIBOR from 30 October 2011 to 28 June 2012 and 5% over LIBOR from 29 June 2012 to 1 February 2013.

21 Borrowings continued

(c) As at 2 November 2013 the Group had drawn down £6.9m *(2012: £7.9m)* under its loan facilities. The £6.9m borrowing as at 2 November 2013 consisted of a Burdale loan borrowing of £8.5m less £1.6m of receipts which will be credited to the loan after 2 November 2013 through the Burdale Sweep Facility. The £1.6m is also treated as an overdraft as a contra to the loan adjustment. Based on facilities in place as at 2 November 2013 the Group had available £2,175,000 *(2012: £1,054,000)* of undrawn committed borrowing facilities, including credit balances, in respect of which all conditions precedent had been met. This figure drops to £624,000 if we ignore the overdraft contra.

Panther/ARCS term loan agreement

Under the terms of the Term Loan Agreement with ARCS, a loan facility of £2.5m was provided to J.E. Beale plc and was fully drawn down by it on completion of the ARCS transaction on 22 May 2011. J.E. Beale plc is only permitted to use the proceeds of the term loan to help it finance the consideration payable to ARCS under the acquisition agreement and for general working capital purposes. The principal amount owing on the ARCS term loan was repayable over a period of five years in installments of £250,000 made at six monthly intervals commencing on 31 October 2011.

As part of the Group refinancing in June 2012 ARCS agreed to waive £500,000 of the loan and reduced the 6 monthly installments to £125,000. Under IFRS the write off of £500,000 on the ARCS loan is accounted for through the consolidated statement of Comprehensive (Loss)/Income. This is because ARCS is treated as an equity holder as under certain circumstances the ARCS preference shares are convertible into up to 10% of the ordinary shares in issue. Further conditions are attached which could increase the level of installment. J.E. Beale plc will be permitted to repay earlier either in full or in an amount of at least (and in integral multiples of) £250,000 together with accrued interest if it so elects.

There will be no penalty for early repayment of the term loan and, to the extent that J.E. Beale plc makes any such prepayment, its obligations to make the next successive repayment(s) owing will be deemed satisfied to the extent necessary up to (but not exceeding) the relevant prepayment amount. On 30 April 2013 parties related to Panther Securities PLC; Harold Perloff and the Maland Pension Fund acquired the loans from ARCS.

Interest will be charged quarterly in arrears with effect from completion at the rate of 4% per annum over the applicable LIBOR rate increasing to 6% per annum over LIBOR in the event of a default that is not remedied within 12 months. The directors view 4% over LIBOR as being market rate, based on the terms of this loan. The average effective rate of interest on the Panther/ARCS loan during the year was approximately 4.51% *(2012: 4.95%)* per annum.

The Group has a £516,000 guarantee with HSBC in relation to merchant services. It will be released from the guarantee during the 2013/14 financial year.

22 Lease incentives

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Lease incentives	**4,389**	3,790	**-**	-

The above represent lease incentives, rent free periods and capital contributions which have been received from landlords and are amortised to the income statement over the period of the lease unless another systematic basis is representative of the Group's benefit from the use of the leased asset.

Notes to the financial statements continued

23 Obligations under finance leases

Group and Company Amounts payable under finance lease	Minimum lease payments 2013 £000	Interest 2013 £000	Present value of minimum lease payments 2013 £000
Due within one year	**34**	**(32)**	**2**
In the second to fifth year inclusive	**136**	**(123)**	**13**
After five years	**1,705**	**(743)**	**962**
	1,875	**(898)**	**977**

Amounts payable under finance lease	Minimum lease payments 2012 £000	Interest 2012 £000	Present value of minimum lease payments 2012 £000
Due within one year	34	(33)	1
In the second to fifth year inclusive	136	(125)	11
After five years	1,739	(773)	966
	1,909	(931)	978

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

24 Pension scheme guarantee

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Pension scheme guarantee	**-**	-	**780**	379

On 3 July 2009 Beale PLC signed a guarantee to the Beale Pension Trustees up to a maximum of £6.0m in the event of default by J.E. Beale plc. The directors considered the likelihood of such default to be remote, and accordingly assessed the fair value of this guarantee at the date of inception to be £0.6m. This amount was being amortised over 8 years representing the recovery period as set out in the triennial valuation as at October 2007. On 28 June 2012 the Company agreed, with effect from 1 June 2012, to extend the recovery period to 31 August 2023.

On 1 February 2013 Beale PLC varied the pension guarantee from £6.0m to £8.4m, this was fair valued by the directors at £0.8m based on the likelihood of default. This amount will be amortised over 10 years and 7 months as the deficit recovery period extends to 31 August 2023.

25 Share capital

	2013		2012	
	Number	**£000**	Number	£000
Issued and fully paid				
Ordinary shares of 5p each	**20,524,797**	**1,026**	20,524,797	1,026

26 Performance share plan

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

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

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

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

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

The table below summarises information about outstanding awards:	**2013**
Outstanding Awards at 4 November 2012	781,562
Granted during the period	-
Vested during the period	-
Expired during the period	-
Forfeited during the period	(553,250)
Outstanding Awards at 2 November 2013	**228,312**

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

The weighted average fair value of awards granted during the year ended 2 November 2013 was nil pence per award *(2012: nil pence)*.

The total charge relating to employee share-based payments for the period was calculated based on the fair values of the awards multiplied by number of shares under awards and then spread over the vesting period with an adjustment for the likelihood of leavers and achievement of performance conditions. The share-based payments charge in the year ended 2 November 2013 amounted to £nil *(2012: credit £25,846)* on the basis that the Board do not believe the performance conditions will be achieved.

Notes to the financial statements continued

27 Reserves

For details on the movement of reserves see the consolidated statement of changes in equity.

Share premium account

The share premium account represents the excess over nominal value paid for equity.

Revaluation reserve

The revaluation reserve represents the excess of fixed asset valuation over cost. The revaluation reserve is shown net of deferred tax. The Group freeholds and long leasehold were revalued at 29 October 2011.

Capital redemption reserve

The capital redemption reserve results from previous buybacks of shares and was increased by £516,047 for redemption of 516,047 £1 preference shares in the year ended 2 November 2013.

Retained earnings

The retained earnings represent the Group's accumulated undistributed earnings.

Reserves

All reserves of the Group relate to equity interests. Those reserves of the Company that may not be distributed under section 831 of the Companies Act 2006 comprise the share premium account, the capital redemption reserve, the revaluation reserve and ESOP reserve. The transfer from the revaluation reserve to the retained earnings represents the difference between the depreciation charge for the year based on revalued amounts and the depreciation charge for the year based on historical cost. The Company made a loss of £6.57m *(2012: £1.35m loss)*.

ESOP reserve

The Company operated a share option scheme up to year end October 2005 for Allan Allkins (who resigned on 31 May 2008). The share options were subject to performance related conditions set by the remuneration committee, which were not met. The trustees of the Employee Share Trust purchased the Company's ordinary shares in the open market under a facility guaranteed by the Company. The Company also has an obligation to make contributions to the Employee Share Trust to enable it to meet its financing costs. Rights to dividends on shares held by the plan have not been waived by the trustees. The number and market value of ordinary 5p shares held by the Employee Share Trust at 2 November 2013 was 76,752 *(2012: 76,752)* and £7,675 *(2012: £14,966)* respectively.

28 Reconciliation of operating loss to net cash flow from operating activities

	Group		Company	
	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000	**52 weeks to 2 November 2013 £000**	53 weeks to 3 November 2012 £000
Operating loss	**(3,197)**	(5,018)	**(6,219)**	(1,099)
Adjustments for:				
Cash disbursements of pension obligations (net of charge included within the income statement)	**(495)**	(1,268)	**-**	-
Loss on disposal	**33**	-	**-**	-
Fixed Asset Impairment	**582**	1,410	**-**	-
Investment Impairment	**-**	-	**4,600**	-
Profit on disposal of investment	**(21)**	-	**-**	-
Depreciation	**1,412**	1,583	**190**	190
Fair value movement of derivative	**9**	(183)	**9**	(183)
Decrease in inventories	**562**	646	**-**	-
Decrease/(increase) in trade and other receivables	**2,646**	381	**2,977**	(2,915)
Increase/(decrease) in trade and other payables	**396**	(44)	**946**	(929)
Cash generated from/(utilised in) operations	**1,927**	(2,493)	**2,503**	(4,936)

29 Analysis of net debt

Group	3 November 2012 £000	**Cash flow £000**	**Non Cash Item £000**	**2 November 2013 £000**
Cash at bank and in hand	454	**(260)**	**-**	**194**
Restricted cash	-	**1,000**	**-**	**1,000**
Overdraft	(5)	**(1,436)**	**-**	**(1,441)**
	449	**(696)**	**-**	**(247)**
Debt due within one year	(557)	**182**	**-**	**(375)**
Debt due after one year**	(15,238)	**1,435**	**(421)**	**(14,224)**
	(15,346)	**921**	**(421)**	**(14,846)**
Finance lease*	(978)	**1**	**-**	**(977)**

* Finance lease relates to the long leasehold.

** Includes preference share non-cash movement

Notes to the financial statements continued

29 Analysis of net debt continued

Company	3 November 2012 £000	Cash flow £000	Non Cash Item £000	2 November 2013 £000
Cash at bank and in hand	-	**39**	**-**	**39**
Restricted cash	-	**1,000**	**-**	**1,000**
Overdraft	(5)	**5**	**-**	**-**
	(5)	**1,044**	**-**	**1,039**
Debt due within one year	(307)	**307**	**-**	**-**
Debt due after one year**	(14,113)	**1,185**	**(421)**	**(13,349)**
	(14,425)	**2,536**	**(421)**	**(12,310)**
Finance lease*	(978)	**1**	**-**	**(977)**

* Finance lease relates to the long leasehold.

** Includes preference share non-cash movement

30 Financial instruments and risk management

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. During the year the Group repaid £977,000 of the bank loan facility, the Panther/ARCS loan was reduced by £125,000 and 516,047 £1 preference shares were redeemed.

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

The Group is subject to a trading cashflow requirement under the Burdale loan agreement and one other covenant. In February 2013 the Group arranged a new loan with Burdale which runs to 31 January 2016. The directors meet the objectives of managing their capital by monitoring cashflows and balance sheets on a regular basis. It is noted that the preference shares also have requirements for the Group to comply with. The preference shares must be redeemed on a change of control of the Company, a sale of substantially all the assets of the Group or to the extent the preference shares are owned by ARCS part redeemed on closure of a store which was acquired from ARCS on 22 May 2011.

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Overdrafts (note 21)	**1,441**	5	**-**	5
Preference shares (note 20)	**6,426**	6,520	**6,426**	6,520
Debt (note 21)	**8,173**	9,275	**6,923**	7,900
Restricted cash (note 13)	**(1,000)**	-	**(1,000)**	-
Cash and cash equivalents	**(194)**	(454)	**(39)**	-
Net debt	**14,846**	15,346	**12,310**	14,425
Equity	**7,382**	9,533	**15,473**	21,745
Net debt to equity ratio	**201.11%**	160.98%	**79.56%**	66.33%

30 Financial instruments and risk management continued

Categories of financial instruments	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Financial assets				
Loans and receivables	**2,649**	5,295	**16,509**	19,486
Cash and bank balances	**194**	454	**39**	-
Embedded derivative (FVTPL Fair value through profit or loss)	**1,407**	1,416	**1,407**	1,416
Restricted cash	**1,000**	-	**1,000**	-
Held-to-maturity investments	**-**	16	**-**	-
Pension guarantee	**-**	-	**780**	379
	5,250	7,181	**19,735**	21,281
Financial liabilities				
Preference Shares (amortised cost)	**(6,426)**	(6,520)	**(6,426)**	(6,520)
Pension guarantee	**-**	-	**(780)**	(379)
Bank and other loans	**(8,173)**	(9,275)	**(6,923)**	(7,900)
Overdrafts	**(1,441)**	(5)	**-**	(5)
Trade and other payables	**(14,624)**	(14,720)	**(1,210)**	(218)
	(30,664)	(30,520)	**(15,339)**	(15,022)

Preference shares
From the date of issue the preference shares have a five year interest free period and also an option for the Company to repay at any time without any penalty. The preference shares were fair valued at inception at £5,968,000. The initial value was established by an independent third party valuer. From the inception date the preference shares are accounted for on an amortised cost basis and were recorded at £6,426,000 *(2012: 6,520,000)*. The effective interest rate arising on the preference share liability is 7.11% *(2012: 7.11%)*.

Financial instruments
The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, as with the 7,983,953 *(2012: 8,500,000)* preference shares, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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

Notes to the financial statements continued

30 Financial instruments and risk management continued

An embedded derivative in relation to the prepayment option arising on the original 8,500,000 preference shares was valued at inception to be £1,078,000. As at 2 November 2013 the derivative was valued at £1,407,000 *(2012: £1,416,000)*. It has been assumed the Group can borrow at 5% *(2012: 5%)* over LIBOR without security in determining the credit spread required to value this instrument. The valuations were supplied by an independent third party.

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Embedded derivative	**1,407**	1,416	**1,407**	1,416

Embedded derivative sensitivity analysis:

The table below illustrates the estimated impact on the income statement and equity as a result of market movements in interest rates in relation to the Group's financial instruments. The Group considers that a 1% ± movement in interest rates represents a reasonable possible change. However, this analysis is for illustrative purposes only.

	1% decrease in interest rate £000	**1% increase In interest rate £000**
Impact on income statement gain/(loss) 52 weeks ended 2 November 2013	**38**	**(16)**
Impact on income statement gain/(loss) 53 weeks ended 3 November 2012	187	(158)

Financial risk management objectives

The Group's treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The corporate treasury function reports to the Board regularly.

Market risk

The Group's activities do not expose it to changes in foreign currency exchange rates as nearly all imports are purchased in sterling. Amounts purchased in foreign currency are not material. The Group has not entered into any forward foreign currency exchange contracts during the year. Accordingly no sensitivity analysis is disclosed.

Interest rate risk management

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

Given the above and assuming that going forward the base rate is relatively stable, the Group's exposure to interest rate movement is limited. To mitigate against the interest rate exposure risk the Board could choose to use interest rate swap contracts. Alternatively the Group could adjust its working capital structure to reduce borrowings, for example by increasing credit payment terms with suppliers.

30 Financial instruments and risk management continued

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were constant, the Group's:

- loss for the year ended 2 November 2013 would increase by £96,000 *(2012: £233,000).*
- If interest rates had been 1% lower and all other variables were constant, the Group's loss for the year ended 2 November 2013 would decrease by £113,000 *(2012: £262,000).*

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

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient information where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by credit rating agencies where appropriate. The Group's exposure of its counterparties is continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the credit control. The Group's exposure to credit risk is extremely low. The Group's main lending relates to lending to the public in the form of the store card debtors and interest free credit debtors. The Group did carry out credit evaluation on a fair proportion of credit accounts opened. Given the Group closed its store card facility on 17 November 2012 it is now in the process of simply collecting the outstanding debt. The Board regard credit risk to the Group is very low as no one individual debtor is material.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. As at the year-end the Group has a further £2.17m *(2012: £1.05m)* of undrawn committed borrowing facilities, this figure decreased to £624,000 if you ignore the £1.55m overdraft adjustment including credit balances, available for drawdown. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the date on which the Group can be required to pay.

Notes to the financial statements continued

30 Financial instruments and risk management continued

Group 2 November 2013	Average Interest rate	Less than 1 month £000	1-3 Months £000	3 month to 1 year £000	1-5 years £000	More than 5 years £000	Total £000
Preference shares	**7.11%**	**-**	**-**	**-**	**2,566**	**8,085**	**10,651**
Bank loan	**3.26%**	**19**	**38**	**169**	**7,205**	**-**	**7,431**
Panther/ARCS loan	**4.51%**	**-**	**131**	**293**	**954**	**-**	**1,378**
Finance lease (note 23)	**8.5%**	**-**	**-**	**34**	**136**	**1,705**	**1,875**
Bank overdraft	**N/A**	**1,441**	**-**	**-**	**-**	**-**	**1,441**
		1,460	**169**	**496**	**10,861**	**9,790**	**22,776**
Group 3 November 2012							
Preference shares	7.11%	-	307	-	1,272	9,622	11,201
Bank loan	4.15%	36	73	698	7,910	-	8,717
Panther/ARCS loan	4.96%	-	-	315	1,136	128	1,579
Finance lease (note 23)	8.5%	-	-	34	136	1,739	1,909
		36	380	1,047	10,454	11,489	23,406
Company **2 November 2013**							
Preference shares	**7.11%**	**-**	**-**	**-**	**2,566**	**8,085**	**10,651**
Bank loan	**3.26%**	**19**	**38**	**169**	**7,205**	**-**	**7,431**
Finance lease (note 23)	**8.5%**	**-**	**-**	**34**	**136**	**1,705**	**1,875**
		19	**38**	**203**	**9,907**	**9,790**	**19,957**
Company 3 November 2012							
Preference shares	7.11%	-	307	-	1,272	9,622	11,201
Bank loan	3.5%	36	73	698	7,910	-	8,717
Finance lease (note 23)	8.5%	-	-	34	136	1,739	1,909
		36	380	732	9,318	11,361	21,827

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 Financial instruments and risk management continued

Group **3 November 2013**	**Level 1** **£000**	**Level 2** **£000**	**Level 3** **£000**	**Total** **£000**
Financial assets at FVTPL				
Derivative financial assets	**-**	**1,407**	**-**	**1,407**
Non-derivative financial assets held for trading	**-**	**-**	**3,843**	**3,843**
	-	**1,407**	**3,843**	**5,250**
Financial liabilities at FVTPL				
Preference shares	**-**	**6,426**	**-**	**6,426**
Financial liabilities designated at FVTPL	**-**	**-**	**24,238**	**24,238**
	-	**6,426**	**24,238**	**30,664**
Group 3 November 2012				
Financial assets at FVTPL				
Derivative Financial assets	-	1,416	-	1,416
Non-derivative financial assets held for trading	-	-	5,749	5,749
Available for sale financial assets	-	-	16	16
	-	1,416	5,765	7,181
Financial liabilities at FVTPL				
Preference shares	-	6,520	-	6,520
Financial liabilities designated at FVTPL	-	-	24,000	24,000
	-	6,520	24,000	30,520
Company **3 November 2013**				
Financial assets at FVTPL				
Derivative financial assets	**-**	**1,407**	**-**	**1,407**
Non-derivative financial assets held for trading	**-**	**-**	**18,328**	**18,328**
	-	**1,407**	**18,328**	**19,735**
Financial liabilities at FVTPL				
Preference shares	**-**	**6,426**	**-**	**6,426**
Non-derivative financial assets held for trading	**-**	**-**	**8,913**	**8,913**
	-	**6,426**	**8,913**	**15,339**
Company 3 November 2012				
Financial assets at FVTPL				
Derivative financial assets	-	1,416	-	1,416
Non-derivative financial assets held for trading	-	-	19,865	19,865
	-	1,416	19,865	21,281
Financial liabilities at FVTPL				
Preference shares	-	6,520	-	6,520
Non-derivative financial assets held for trading	-	-	8,502	8,502
	-	6,520	8,502	15,022

Notes to the financial statements continued

31 Commitments under operating leases

Group	2013 Land & buildings £000	2013 Other £000	2012 Land & buildings £000	2012 Other £000
At 2 November 2013 the Group had total commitments under non-cancellable operating leases as follows:				
Within one year	**5,329**	**183**	5,838	196
Between two and five years	**23,255**	**262**	22,868	383
More than five years	**42,943**	**-**	47,221	-
	71,527	**445**	75,927	579

The lessee's significant leasing arrangements relate to the leasing of department stores. None of the leases give the Group a purchase option. The Group's leases of land and buildings are subject to rent reviews at intervals between one and five years. None of the department store leases has a fixed escalation clause.

Company
The Company had no commitments under non-cancellable operating leases at 2 November 2013 and 3 November 2012.

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

Beales Pension Scheme
The Beales Pension Scheme has sections providing benefits on both a defined benefit and defined contribution basis. The defined benefit section was closed to new entrants on 6 April 1997 and was closed to further accrual on 30 April 2009. New entrants to the pension scheme join the defined contribution section. Final salary actives who ceased accruing pension in the final salary scheme were invited to join the defined contribution section. Final salary actives who stay in service after 30 April 2009 until their usual retirement date have their final salary pension based on the greater of i) the final pensionable salary at the point of a individual taking their pension or ii) the final pensionable salary at 30 April 2009 revalued in line with statutory requirements. A similar calculation is applied to actives who becomes deferred and who does not stay up to retirement. The scheme funds are administered by trustees and are independent of the Group's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuarial adviser. On 31 August 2013 the defined contribution scheme closed to further accrual. From 1 September 2013 active members of the defined contribution scheme were invited to join the GPP which was set up with Scottish Widows and the People's Pension.

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

32 Pensions continued

Defined benefit plans

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

The most recent triennial valuation of the Beales pension scheme for funding purposes was performed as at 30 October 2010. Under the funding schedule agreed with the scheme trustees, the Group aimed to eliminate the current deficit by November 2017. This date was extended to August 2023 in June 2012 when the Company reduced its contributions to the defined benefit scheme as part of the refinancing. The reduction in funding was covered by a charge over the Kendal freehold property. The Group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the trustees every three years, based on actuarial valuations. The next triennial valuation is drawn up as at 2 November 2013. The Group considers that the contribution rates agreed with the trustees are sufficient to eliminate the current deficit over the agreed period.

The most recent triennial valuation of the Denners pension scheme for funding purposes was performed as at 29 October 2011. As at 29 October 2011 the scheme was in surplus so no company contributions are currently payable. The Group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the trustees every three years, based on actuarial valuations. The next triennial valuation is drawn up as at October 2014.

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

The pension cost of the Denners Scheme is assessed every three years in accordance with the advice of a qualified actuary. The most recent valuation was as at 29 October 2011 and was carried out by professionally qualified consulting actuary, Legal & General.

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

The expected rate of return on assets for the financial year ending 2 November 2013 was 5.1% per annum *(2012: 5.9% per annum)*. This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at 3 November 2012.

The estimated amount of contributions expected to be paid to the Beales and Denners plans during 2013/14 in respect of final salary benefits is £500,000 *(2012: £500,000).* As at 2 November 2013 there is a contribution creditor within the defined benefit plans of £41,667 *(2012: £41,667).*

Defined contribution

Group contributions to the defined contribution scheme totalled £153,000 *(2012: £228,000)*.

Group contributions to the defined contribution scheme for directors are set out in the Annual report on remuneration.
GPP Group contribution to the GPP totalled £29,000 *(2012: £Nil)*.

Principal actuarial assumptions

The pension information below is a combination of both the Beales pension scheme and the Denners pension scheme. As at 2 November 2013 the Beales pension scheme had a surplus of £139,000 *(2012: deficit of £1,659,000)* and the Denners pension scheme had a surplus of £650,000 *(2012: £488,000)*.

Notes to the financial statements continued

32 Pensions continued

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

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

	2013	2012	2011
Retail price inflation	**3.30%**	2.60%	2.90%
Consumer price index	**2.30%**	1.90%	2.20%
Discount rate	**4.30%**	4.35%	5.20%
Pension increases (fixed 5%)	**5.00%**	5.00%	5.00%
Pension increases (LPI)	**3.10%**	2.40%	2.70%
General salary increases	**2.30%**	1.90%	2.20%
Expected return on assets	**4.30%**	5.10%	5.90%
Life expectancy of male/female pensioner aged 65	**22.2/25.0**	22.2/25.0	22.2/25.0
Life expectancy of male/female member from the age of 65 currently aged 50	**23.0/25.8**	23.0/25.8	23.0/25.8

	2013 £000	2012 £000
The amounts recognised as expense/(income) in respect of defined benefit schemes:		
Employer's part of current service cost	**266**	207
Interest cost	**1,847**	1,972
Expected return on plan assets	**(2,108)**	(2,247)
Total expense/(income) recognised in income statement	**5**	(68)

	2013 £000	2012 £000
Movements in present value of defined benefit obligations were as follows:		
Opening defined benefit obligations	**43,516**	38,790
Employer's part of current service cost	**266**	207
Interest cost	**1,847**	1,972
Actuarial loss	**1,233**	4,260
Benefits paid	**(2,064)**	(1,713)
Closing defined benefit obligations	**44,798**	43,516

32 Pensions continued

	2013 £000	2012 £000
Movements in the fair value of scheme assets were as follows:		
Opening fair value of plan assets	**42,345**	38,587
Expected return on plan assets	**2,108**	2,247
Actuarial gain	**2,698**	2,024
Contributions by the employer	**500**	1,200
Benefits paid	**(2,064)**	(1,713)
Closing fair value of plan assets	**45,587**	42,345

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Combined Schemes					
Present value of defined benefit obligations	**44,798**	43,516	38,790	39,050	38,041
Fair value of plan assets	**(45,587)**	(42,345)	(38,587)	(36,568)	(33,508)
(Surplus)/deficit	**(789)**	1,171	203	2,482	4,533
Beales Pension Scheme					
Present Value of defined benefit obligations	**42,647**	41,384	36,810	37,037	36,022
Fair Value of plan assets	**(42,786)**	(39,725)	(36,058)	(34,110)	(31,218)
(Surplus)/deficit	**(139)**	1,659	752	2,927	4,804
Denners Pension Scheme					
Present Value of defined benefit obligations	**2,151**	2,132	1,980	2,013	2,019
Fair Value of plan assets	**(2,801)**	(2,620)	(2,529)	(2,458)	(2,290)
Surplus	**(650)**	(488)	(549)	(445)	(271)

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

	Expected return			**Fair value of assets**		
	2013 %pa	2012 %pa	2011 %pa	**2013 £000**	2012 £000	2011 £000
Equity instruments	**4.3**	7.3	7.9	**14,757**	15,815	14,578
Bonds	**4.3**	3.7	4.6	**29,303**	24,994	22,545
Other	**4.3**	2.8	3.4	**121**	107	17
Property	**4.3**	4.8	5.4	**150**	150	150
Annuities	**4.3**	4.3	5.2	**1,256**	1,279	1,297
				45,587	42,345	38,587

Notes to the financial statements continued

32 Pensions continued

Scheme assets

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

Asset category	2013	2012	2011
Equities	32%	38%	38%
Bonds	64%	59%	58%
Property	-	-	-
Insured pension asset	4%	3%	4%
Other	-	-	-
	100%	100%	100%

Expected rate of return

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other assets classes in which the portfolio is invested and the expectations for future returns of each asset class.

Weighted average assumptions used to determine benefit obligations at:	2 November 2013	3 November 2012
Discount rate	4.3%	4.35%
Rate of RPI	3.3%	2.60%

Weighted average assumptions used to determine net pension cost for period ended:	2 November 2013	3 November 2012
Discount rate	4.35%	5.2%
Expected long-term return on scheme assets	5.1%	5.9%
Rate of RPI	2.6%	2.9%

Sensitivity analysis

The sensitivity of the 2013 year-end results to changes in two key assumptions is shown below:

Funding position	Discount rate movement of - 0.25%	RPI movement of + 0.25%
Impact on balance sheet surplus	Surplus down by £1.7m	Surplus down by £0.7m
Impact on 2012/2013 Income Statement	Income Statement profit down by £0.07m	Income Statement profit down by £0.03m

The sensitivity of the 2012 year end results to changes in two key assumptions is shown below:

Funding position	Discount rate movement of - 0.25%	RPI movement of + 0.25%
Impact on balance sheet deficit	Deficit up by £1.6m	Deficit up by £0.6m
Impact on 2011/12 Income Statement	Income Statement profit down by £0.06m	Income Statement profit down by £0.03m

32 Pensions continued

	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000	52 weeks to 30 October 2011 £000	52 weeks to 31 October 2010 £000	52 weeks to 1 November 2009 £000
Actual return on plan assets	**4,806**	4,271	2,150	3,800	5,858
Difference between actual and expected return on scheme assets					
— Amount of (gain) and loss	**(2,698)**	(2,024)	99	(1,758)	(3,767)
— Percentage of scheme assets	**(5.91%)**	(4.78%)	0.26%	(4.81%)	(11.24%)
Experience (losses) and gains on scheme liabilities					
— Amount	**(62)**	22	(850)	(1)	(5)
— Percentage of Scheme liabilities	**0.14%**	0.05%	2.19%	-	-

33 Related party transactions

Ultimate Controlling Party

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

Transactions with the Group's pension schemes are disclosed in note 32.

Parent Company

During the year the Company received rent of £295,000 *(2012: £295,000)*, interest of £338,615 *(2012: £347,300)* and a management charge of £nil *(2012: £Nil)* from J.E. Beale plc. At the year end there was a £16.5m loan *(2012: £16.5m)* from the Company to J.E. Beale plc. £9.0m (2012: £9.0m) of the loan was repayable on 366 days' notice and £7.5m (2012: £7.5m) was repayable on demand. In addition, at 2 November 2013, J.E. Beale plc owed £Nil *(2012: £2,973,027)* to the Company and Beale PLC owed £815,781 *(2012: £Nil)* to J.E. Beale plc. On 24 February 2012 Panther Securities PLC who own 29.72% of Beale PLC purchased 3 freeholds from ARCS for £2,250,000, of which £300,000 is deferred until February 2015. In April 2013 Panther Securities PLC entered into contracts to purchase 3 further freeholds from ARCS where J.E. Beale plc is the tenant. Two of the freehold purchases were deferred for 14 months. On the assumption that the deferred purchases complete J.E. Beale plc will be a tenant in 11 freeholds owned by Panther Securities PLC. On 30 April 2013 Portnard Limited which is owned by A. S. Perloff and family trusts, together with Maland Pension Fund and a member of the Perloff family completed on the purchase of the 7,000,000 preference shares (there is a deferred agreement to purchase the balance of the preference shares within 3 years) from ARCS and the ARCS loan which had £1,250,000 outstanding. From 30 April 2013 to 22 May 2014 Portnard Limited has beneficial ownership of the preference shares. As referred to in the directors' report, note 20 and note 21 ARCS owns 983,953 £1 preference shares (2012: 8.5m) in Beale PLC and the Group has £1,250,000 *(2012: £1,375,000)* loan from Panther/ARCS. During the 2011/12 year ARCS waived £500,000 of the loan, this was credited to the Consolidated Statement of Comprehensive (Loss)/Income. The remuneration of the directors is set out in the annual report on remuneration.

Director

John Chillcott is a Director of AHF Limited with whom J.E. Beale plc have a concession agreement. J.E. Beale plc received revenue of £0.9m *(2012: £1m)* from AHF Limited and as at 2 November 2013 AHF Limited owed J.E. Beale plc £293,300 *(2012: £298,809)*.

34 Post Balance Sheet Event

From mid November 2013 the Group has moved its day-to-day banking facilities from HSBC to Santander. Beale PLC has signed a parental guarantee on behalf of J.E. Beale plc to Santander for £1.35m in relation to these facilities. In January 2014 the Group moved some of its merchant services business to Elavon and Beale PLC has signed a parental guarantee on behalf of J.E. Beale plc to Elavon for £1.2m in relation to the merchant services.

Report of the Remuneration Committee continued

Unaudited Information

A Statement to the Shareholders from the Chairman of Remuneration Committee

I am pleased to report to shareholders on the aims, objectives and activities of the Remuneration Committee during 2012/2013. A resolution to approve this report will be proposed at the Company's Annual General Meeting on 24 April 2014.

Please note the vote on the Remuneration Report will continue to be advisory. However, the vote on the future remuneration policy part of the report will be a binding vote.

As set out on page 34 the performance of the business continued to be loss making and consequently no financially linked bonuses are payable to directors, however, the directors achieved 83% of their specific objectives and consequently they received discretionary bonuses.

The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 have been approved by parliament which impact on companies listed on the main market in the UK. The revised disclosures have no impact on employees who are not directors.

The required disclosures in the Remuneration Report have changed quite substantially since the previous report, the main structure of the report is as follows:

- An annual statement from the chairman of the remuneration committee.
- An annual report on remuneration which includes details of what directors have been paid in the reporting period and some details of how policy will be implemented in the next financial period.
- A policy report which includes details of the remuneration policy.

The Group has been loss making since 2007 (2011 contained an exceptional profit) and consequently the business is in turnaround. In June 2012 the finance director resigned and in February 2013 the chief executive resigned. Michael Hitchcock was appointed CEO on 9 February 2013 because in the role of interim finance director he had demonstrated his skill and potential and was considered by the nomination committee as the outstanding candidate to lead the Beale PLC turnaround. Michael Hitchcock was appointed CEO on an appropriate remuneration package and Tony Richard's remuneration package was enhanced to reflect the added responsibilities of marketing, visual merchandising, loyalty card and subsequently operations. Whilst the business continues to turn itself around from continuing losses, it is important to set bonus objectives that are tied to the short term continuation of trade, the medium term stabilization of the business and the generation of long term strategies. The directors failed to achieve the financial targets set by the remuneration committee which would have entitled the directors to a profit target bonus. The remuneration committee believes that the remuneration packages are set at a level to retain the directors appointed to turn the business around.

Annual Report on Remuneration

Audited Information

The table below reports a single figure for total remuneration for each director for 2012/13.

	Salary/ Fees £000	Taxable Benefits £000	Bonus £000	Pension £000	2013 Total £000
Executive					
Tony Brown	83	2	-	-	**85**
Tony Richards	169	22	73	12	**276**
Michael Hitchcock	180	21	104	27	**332**
Non-executive					
Keith Edelman	56	-	-	-	**56**
Simon Peters	-	-	-	-	**-**
John Chillcott	-	-	-	-	**-**
William Tuffy	35	-	-	-	**35**
Stuart Lyons	-	-	-	-	**-**
Catherine Norgate-Hart	9	-	-	-	**9**
Total	**532**	**45**	**177**	**39**	**793**

The table below reports a single figure for total remuneration for each director for 2011/12.

	Salary/Fees £000	Taxable Benefits £000	Bonus £000	Pension £000	2012 Total £000
Executive					
Tony Brown	275	7	-	13	295
Tony Richards	125	24	-	7	156
Ken Owst	88	5	-	7	100
Non-executive					
Keith Edelman	64	-	-	-	64
Simon Peters	-	-	-	-	-
John Chillcott	-	-	-	-	-
William Tuffy	30	-	-	-	30
Mike Killingley	1	-	-	-	1
Total	583	36	—	27	646

a) In relation to the table for 52 weeks ended 2 November 2013 Tony Brown resigned on 8 February 2013, Keith Edelman resigned on 12 September 2013, Simon Peters resigned on 23 April 2013 and was reappointed on 21 October 2013, Stuart Lyons was appointed on 23 April 2013 and resigned on 21 October 2013. Michael Hitchcock was appointed on 9 February 2013. Catherine Norgate-Hart was appointed on 18 July 2013. Therefore, the figures in the 2012/2013 table do not reflect a 12 month period.

Report of the Remuneration Committee continued

Annual Report on Remuneration continued

b) Taxable benefits include private health insurance. Tony Brown and Tony Richards had a fully funded company car, Michael Hitchcock received a car allowance. During the year the Company paid Tony Richards and Michael Hitchcock's accommodation/commuting subsistence expenses. The non executive directors did not receive any taxable benefits. The details of taxable benefits are set out below:

	Michael Hitchcock		Tony Richards		Tony Brown	
	2013 £	2012 £	**2013 £**	2012 £	**2013 £**	2012 £
Private Health insurance	**762**	-	**1,103**	943	**681**	1,615
Funded Company car	**-**	-	**9,429**	9,718	**1,265**	4,525
Car allowance	**10,892**	-	**-**	-	**-**	-
Subsistence	**8,478**	-	**11,595**	13,127	**-**	-
Life insurance	**881**	-	**-**	-	**-**	-
	21,013	—	**22,127**	23,788	**1,946**	6,140

c) Michael Hitchcock also received life cover for 4 times salary. Tony Richards received life cover of 3 times salary through membership of the group pension schemes.

d) Tony Richards was a member of the money purchase section of the Beales pension scheme until 31 August 2013 and the Company contributed £10,000 *(2012: £6,666).* On 1 September 2013 Tony Richards joined the Company GPP and the Company contributed £2,333.

During the year the Company contributed £27,243 to Michael Hitchcock's personal pension. The non-executive directors did not receive any pensionable entitlement. During 2013 no director was a member of the defined benefit scheme.

e) Michael Hitchcock joined the Group in May 2012 and was appointed interim group finance director on 23 June 2012. Up until his appointment as chief executive on 9 February 2013 Michael Hitchcock was employed through Alium Partners Ltd at a cost of £124,200 *(2012: £179,180)*. During this period he was not on the Board.

f) The de minimis threshold for disclosure of payments to directors for loss of office of other payments paid in connection with qualifying services is £30,000.

g) The bonus scheme in place for the year ended 2 November 2013 operated on the following basis.

- Participation in the bonus scheme was non-contractual and could be withdrawn or amended at any time.
- Awards made under the bonus scheme would be waived in the event that the executive left the Company, had tendered his/her resignation or was working his/her notice period.
- All awards under the bonus scheme are subject to the deduction of PAYE & NI by the Company.
- It was intended that the Executive Directors participated in a bonus scheme whereby both could earn up to 100% of their salaries plus an additional £25,000 on achieving an EBITDA target.
- The scheme based in part (50% of base salaries) on the achievement of demanding profit targets; the scheme also provides for an element payable (50% of base salaries) at the discretion of the remuneration committee.
- The discretionary element, of up to 50% of base salary, was based on the achievements of specific objectives as agreed by the remuneration committee, to develop the strategic long term objectives of the Company. These clearly will not in the main relate to specific actions that enhance the annual profitability of the Company, but those that enhance long term shareholder value.

Annual Report on Remuneration continued

Under the terms of the bonus scheme for the current year the maximum discretionary bonus payable to Michael Hitchcock would be £125,000 and Tony Richards £87,500, the maximum financial bonus payable to Michael Hitchcock would be £125,000 and Tony Richards £87,500. In addition each executive director could earn £25,000 for achieving an EBITDA target.

The discretionary targets for the two executive directors set by the remuneration committee are set out below:

1. Agreement of refinancing away from HSBC to a more suitable lender.
2. Switch banking services from HSBC to allow for the timed release of £1m HSBC hold on deposit.
3. Conclude negotiations with key landlord for the amendment and surrender of store lease for £4m.
4. Enter into and conclude negotiations with landlords to significantly reduce rent in order to improve the cash availability and profitability of the stores.
5. To ensure that the web strategy and platform is in place and functional, in order to accept orders to be fulfilled by key concession partners by quarter four 2013.
6. Identify stores that are neither economically nor commercially viable and require closure, for the purposes of the 2013/14 budgeting (and product ordering purposes).

The remuneration committee concluded that the executive directors had succeeded in 5 of the 6 discretionary targets and consequently awarded Michael Hitchcock a discretionary bonus of £104,166 and Tony Richards a discretionary bonus of £72,917.

In relation to financial targets the committee agreed the following bonus could have been earned for the year ended 2 November 2013.

	Financial Target £000	Michael Hitchcock £000	Tony Richards £000
Loss before tax	(965)	25	17
Loss before tax	(630)	50	35
Loss before tax	(295)	75	52
Profit before tax	40	100	70
Profit before tax	375	125	87

These targets were not achieved and no financial targets bonus was payable to the executive directors. The EBITDA target was not achieved and the £25,000 per executive director was not paid.

h) The only remuneration received by the non-executive directors is the fees shown on the above table.

i) No long term incentives have been provided to directors.

Report of the Remuneration Committee continued

Statement of Directors Shareholding and Share Interest

Share option plans

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

Scheme Interests Awarded in the year

During the year no share interests were awarded.

Statement of Directors Shareholding and Share Interests

There is no requirement for Directors to hold shares in Beale PLC.

Position as at 2 November 2013 or date of resignation

	Shares			
Director	**With performance conditions**	**Without performance conditions**	**With performance measures**	**Shares held privately without performance conditions**
Michael Hitchcock	-	-	-	-
John Chillcott	-	-	-	-
Catherine Norgate-Hart	-	-	-	-
Simon Peters	-	-	-	-
Tony Richards	138,312 (vesting date Oct 2014)	-	-	10,000
Tony Brown	553,250 lapsed on resignation 8 Feb 2013	-	-	15,000 (held at date of resignation 8 Feb 2013)
William Tuffy	-	-	-	10,000
Stuart Lyons	-	-	-	-

Performance Share Plan

At 2 November 2013, outstanding awards to directors under the Performance Share Plan were as follows:

Director	Award date	Vesting date	Market price at award date	At 4 November 2012	Awarded during year	Lapsed during year	Vested during year	At 2 November 2013
Tony Brown	July 2011	Oct 2014	36.25p	553,250	**-**	**553,250**	**-**	**-**
Tony Richards	Sept 2011	Oct 2014	29p	138,312	**-**	**-**	**-**	**138,312**

For the awards granted to the executive directors and senior executives in 2010/11; the performance condition that will determine the vesting of awards will be based on the absolute Earnings Per Share ("EPS") in 2013/14. The performance condition applying to the 2010/11 awards granted will allow 25% of an award to vest for EPS in the 2013/14 financial year of 4.25 pence, increasing pro-rata to 100% vesting of an award for EPS in the 2013/14 financial year of 9.25 pence. For the purposes of comparison, EPS in the 2012/13 financial year of the Group was (18.9) pence *(2012: (28.3) pence)*. For further details see note 26.

Statement of Directors Shareholding and Share Interest continued

Directors beneficially held share interest in the Company as at 2 November 2013 are set out below:

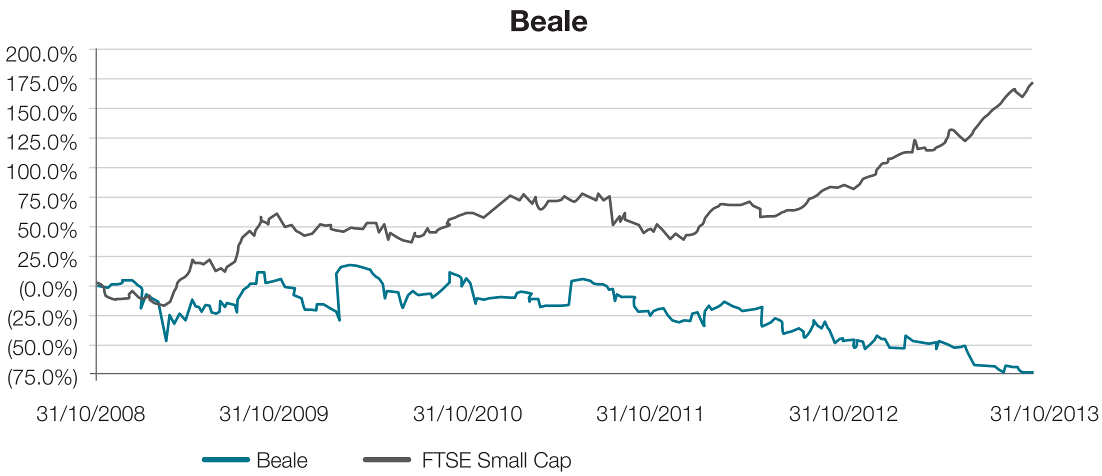
	2013 Ordinary shares of 5p	2012 Ordinary shares of 5p
Michael Hitchcock	**-**	-
John Chillcott	**-**	-
Catherine Norgate-Hart	**-**	-
Simon Peters	**-**	-
Tony Richards	**10,000**	10,000
William Tuffy	**10,000**	-

Unaudited Information

Performance Graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE Small Cap index also measured by total shareholder return. The FTSE Small Cap index has been selected for this comparison because the remuneration committee, have advised it is an appropriate comparator for performance.

Beale Vs FTSE Small Cap



Report of the Remuneration Committee continued

Table of historic data

		Chief Executive Officer single figure of total remuneration £000	Annual variable element award rates against maximum opportunity %	Long term incentive rates against maximum opportunity %
Year ended 2 November 2013	Michael Hitchcock Tony Brown	332 85	38% N/A	N/A
Year ended 3 November 2012	Tony Brown	295	N/A	N/A
29 October 2011	Tony Brown	400	21%	N/A
30 October 2010	Tony Brown	287	N/A	N/A
31 October 2009	Tony Brown	280	2%	N/A

Percentage change in CEO remuneration

The chief executive combined total remuneration increased by 42.2% between the year ended 3 November 2012 and 2 November 2013. The chief executive combined salary declined by 4.2%, bonus rose by 100% and taxable benefits rose by 82% when compared to the previous year.

The average employee remuneration was increased by 3.61% during the year ended 2 November 2013. This was primarily as a result in the rise in the minimum wage and promotions as a large number of staff received a pay freeze.

Relative Importance of Spend on Pay

Asset category	2013 £'000	2012 £'000	%
Redemption of shares	**516**	-	100%
Employee pay	**15,259**	17,806	(14%)
Gross Sales	**120,526**	135,549	(11%)

Gross sales was chosen as a measure to compare with total employee pay as there is a direct correlation between the business gross sales and employee pay. Gross sales include sales from concessions and VAT.

Details of the Remuneration committee and advisors to the committee

Remuneration committee for the period from 4 November 2012 through to 17 July 2013 consisted of William Tuffy and Keith Edelman; Catherine Norgate-Hart was added to the committee on 18 July 2013. Keith Edelman resigned from the committee on 12 September 2013. William Tuffy chaired the committee from 4 November 2012 and Catherine Norgate-Hart took up the chair from 12 September 2013.

Aon Hewitt provided advice on potential share awards during the year at a cost of £1,341. No shares were granted during the year. Aon Hewitt have been advisors to the remuneration committee in relation to share schemes since 2011. The remuneration committee is satisfied that the advice they receive from Aon Hewitt is objective and independent. Aon Hewitt were selected back in 2011 having being recommended by Keith Edelman.

Statement of implementation policy for the financial year ended 1 November 2014

The directors bonus scheme for year ended 1 November 2014 will operate in a similar fashion to the bonus scheme for year ended 2 November 2013. The executive directors will be able to earn up to 50% of their basic salary if the Group achieves certain financial targets and 50% of their basic salary if they achieve certain discretionary targets. In addition £25,000 would be earnt for achieving an EBITDA target.

As these targets are commercially sensitive they will be reported on retrospectively in next year's report.

Statement on Shareholder voting

Voting on the Director's remuneration report at the AGM held on 19 March 2013 was as follows:

Votes in favour:	8,975,334
Votes against:	60,674
Votes withheld:	6,654

Report of the Remuneration Committee continued

Future Remuneration Policy

Policy table

Remuneration for Executive Directors for the three years commencing 2 November 2013 consists of the following elements:

Element	Purpose and link to strategy	Operation	Opportunity	Performance Conditions
Base salary	• This is the core element of pay that reflects the individual's role and position within the Group and is payable for doing the expected day-to-day job. • Ensuring we are competitive in the market allows us to attract, retain and motivate high-calibre employees with the skill sets to deliver our key aims whilst managing costs.	• Salaries are reviewed annually against: - Level of skill, experience and scope of responsibilities, individual and business performance, economic climate and market conditions. -------------------------------------- Non-executive salaries are reviewed in October of each year.	Whilst no absolute maximum has been set for the level of salary payable to Executive Directors, any increases in Executive Directors' salary will be ordinarily in line with the average increase (in percentage of salary terms) awarded to other employees in the Company. However, increases may be granted above this level in certain circumstances, such as where there is a change in the relevant Executive Director's role, responsibilities or experience or a significant increase in the size, value and/or complexity of the Group or to take account of the Executive Director's progression in the role. The salary levels for the current Executive Directors for 2014 are as follows: Michael Hitchcock £250,000 Tony Richards £175,000 -------------------------------------- Non Executive salaries for 2014 William Tuffy £64,000 Catherine Norgate-Hart £30,000 Simon Peters £0 John Chillcott £0	
Annual Incentive Plan	• To motivate directors and incentivise delivery of performance over the one-year operating cycle, focusing on the short to medium term elements of our strategic aims. • Company and individual performance can be reflected through variable pay. • Outstanding individual and Company performance is recognised and rewarded.	• Maximum and target bonus levels for Executive Directors are set by reference to practice at retail and general market comparators. • The maximum bonus level potential under the AIP for the CEO and the Trading Director for achieving specific targets is 50% of base salary. In addition the maximum bonus for achieving discretionary targets for the CEO and the Trading Director is 50% of base salary. Consequently the maximum bonus payable is 100% of base pay. In addition each executive director could earn £25,000 for achieving an EBITDA target. • Performance over the financial year is measured against stretching financial and non-financial and individual performance targets set during the financial year. • As bonus targets details are commercially sensitive these will only be reported on retro-spectively.	• Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure they continue to support our strategy. • Awards will be subject to a payment gateway such that the Committee must be satisfied that there are no material risk failings, reputational concerns or regulatory issues.	• Given the commercially sensitive nature of our performance measures further details of the performance conditions will be disclosed in the Annual Report on Remuneration in subsequent years.

Element	Purpose and link to strategy	Operation	Opportunity	Performance Conditions
Pension	• To aid retention and remain competitive within the market place. • To encourage retirement planning by our employees and retain flexibility for individuals.	• Pension contributions are paid only in respect of base salary	• Executive Directors are eligible to participate in the Group Personal pension arrangement, their own personal pension, or alternatively they may choose to receive a cash allowance in lieu of pension. • In relation to the CEO the company will contribute 15% of base salary to a pension scheme. In relation to the Trading Director the company will contribute 8% of base salary to a GPP pension scheme.	
Benefits	• A comprehensive flexible benefits package is offered, with the emphasis on directors being able to choose the combination of cash and benefits that suits them.	• Executive Directors receive a benefits package in line with market practice. This may include a company car allowance, company car, subsistence payment, private medical insurance, life assurance.	• Employer products are offered to all directors (including non-executive directors) at a discount. This discount is the same that is offered to all relevant employees. • The level of staff discount given varies between 5% and 20% depending on the product range. • The only benefit received by Non-Executive Directors is the staff discount as described above.	
Performance share plan	• To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.	• One director and three employees are participating in the Performance Share plan. • All awards are deferred into shares vesting three years or more after grant.	• In the year ended October 2011 949,874 share awards were granted as at 2 November 2013. 228,312 were still outstanding, The reduction has been caused entirely by employees and directors resigning,	• The performance condition applying to the awards granted during the year ended 29 October 2011 allows 25% of an award to vest for EPS in the 2013/14 financial year of 4.25p, increasing pro-rata to 100% vesting of an award for EPS in the 2013/14 financial year of 9.25p. On change of control, awards vest on a pro-rata basis subject to achievement of performance conditions.
Recruitment remuneration policy	• To secure the appointment and promotion of high-calibre directors to strengthen the Board and secure the skill sets to deliver our strategic aims.	• In determining the remuneration package for recruiting a new director the remuneration of current directors is taken into account along with the current remuneration of the recruit. Components which could be included in the “package” are basic salary, annual incentive plan, pension contributions, performance share plan, car benefit, relocation and subsistence benefit and other minor benefits.	• The maximum annual incentive bonus payable to any director will be 100% of salary. • Plus and EBITDA incentive of £25,000.	

Report of the Remuneration Committee continued

Future Remuneration Policy continued

Element	Purpose and link to strategy	Operation	Opportunity	Performance Conditions
Payment for loss of office		• The notice period for executive directors is 1 year. • On loss of office the Company reserves the right to make a payment of basic salary in lieu of notice. This applies also to taxable benefits and pension contributions. For salary, pension contributions and taxable benefits the committee have the discretion to pay up to a full year entitlement. Bonus payments are pro-rated if the director was regarded as a good leaver. No bonus payment will be payable if the director was regarded as a bad leaver. The PSP payment will be governed by the rules of the scheme. Non-executives notice period is 6 months.		
Statement of consideration of employment conditions elsewhere in the company		• The Group is in turnaround. Consequently, pay and conditions of Group employees were not taken into account in setting directors remuneration policy. Employees are not consulted in setting the Director's remuneration policy.		
Statement of shareholder views		• The only authoritative view of remuneration shareholders is their voting at the AGM. It is noted Panther Securities discouraged the granting of further shares via share schemes during the year. Consequently no more share awards were granted.		

Service Contracts and Letters of Appointment

Operation

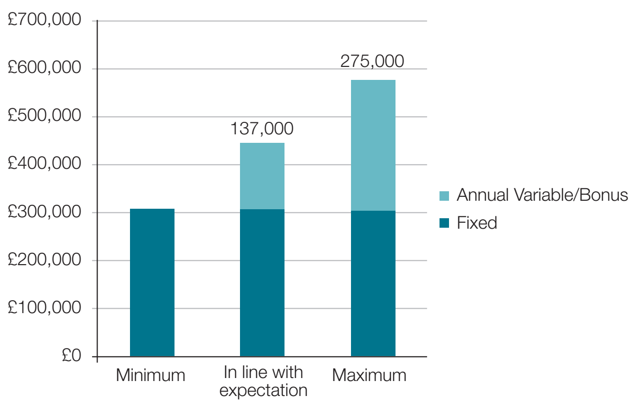
Name	Unexpired Term	Notice Period	Date of Contract
M Hitchcock	16 years and 3 months	1 year	08/02/2013
J Chillcott (see page 22)			
S Peters	3 years	6 months	21/10/2013
T Richards	17 years and 4 months	1 year	30/08/2011
W Tuffy	1 year	6 months	07/11/2011
C Norgate-Hart	2 years and 9 months	6 months	18/07/2013

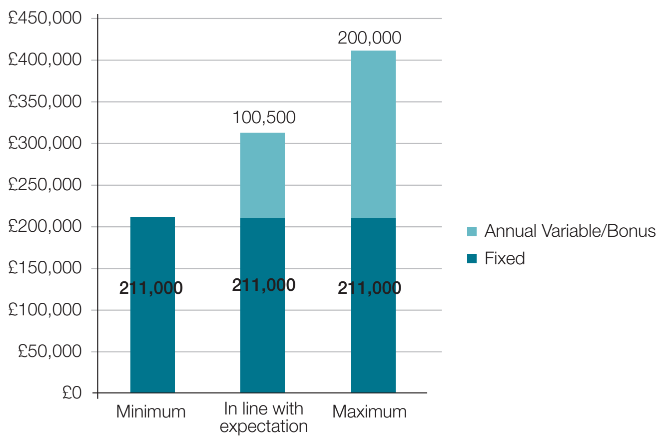
Non-executive Directors

All non-executive directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The non-executive directors do not receive additional fees in respect of their membership of the remuneration committee, nomination committee or audit committee. Non-executive directors cannot participate in any of the Company's future share option schemes and are not eligible to join the Company's pension scheme. Simon Peters and Catherine Norgate-Hart are both subject to re-election at the AGM and the unexpired term on their service contract are 3 years and 2 years and 9 months respectively.

Illustration of Application of Remuneration Policy

Below are set out for executive directors in the form of a bar chart an indication of the level of remuneration that would be received by the director in accordance with the director's remuneration policy in the first year to which the policy applies.





Catherine Norgate-Hart
Chairman of the remuneration committee

28 February 2014

Notice of Annual General Meeting

Beale PLC

Company Number 02755125 (England & Wales)

Notice is hereby given that the Annual General Meeting of Beale PLC will be held at The Norfolk Royale Hotel, Richmond Hill, Bournemouth BH2 6EN on Thursday 24 April 2014 at 11:00am for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and resolution 9 will be proposed as a special resolution:

Ordinary resolutions

1. To receive the financial statements and reports of the directors and auditors for the 52 weeks ended 2 November 2013.

2. To receive the report of the remuneration committee for the 52 weeks ended 2 November 2013.

3. To approve the director's future remuneration policy contained within the remuneration report.

4. To elect Catherine Norgate-Hart as a non-executive director.

5. To elect Simon Peters as a non-executive director.

6. To re-appoint Deloitte LLP as auditor.

7. To authorise the directors to determine the auditor's remuneration.

8. To generally and unconditionally authorise the directors for the purposes of section 551 of the Companies Act 2006 (the "Act") to allot shares (or to grant rights to subscribe for or to convert any security into shares) in the Company up to an aggregate nominal amount of £342,079. Such authority, unless previously renewed, extended, varied or revoked by the Company in general meeting, shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2015, provided that the Company may, prior to the expiry of such period, make an offer or agreement which would or might require shares to be allotted after such expiry and the directors may allot shares pursuant to such offer or agreement notwithstanding the expiry of the authority given by this resolution.

Special resolution

9. Subject to and conditional upon the passing of resolution 8 above, to empower the directors pursuant to section 570 of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash as if section 561(1) of the Act did not apply to any such allotment provided that:

   (a) the power conferred hereby shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2015 unless previously renewed, extended, varied or revoked by the Company in general meeting;

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

   (c) such authority is limited to:

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

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

By order of the Board

Chris Varley BSc FCA
Secretary
18 March 2014

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

Notes:

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

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

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

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

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

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

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

Notice of Annual General Meeting continued

transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

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

(e) Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a **"Nominated Person"**) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no proxy appointment right or has such right but does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The main point of contact for any Nominated Person remains the relevant shareholder (or, perhaps, its custodian or broker) and he/she should continue to contact them (and not the Company) regarding any changes or queries relating to his/her personal details and their interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from him/her. The statement of the rights of shareholders in relation to the appointment of proxies in note (b) does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

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

(g) As at 18 March 2014 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 20,524,797 ordinary shares of 5 pence each and 7,983,953 redeemable preference shares of £1.00 each. While the preference shares do not ordinarily carry voting rights, each ordinary share carries one vote and the total voting rights in the Company as at 18 March 2014 are, therefore, 20,524,797.

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

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

(j) Under section 319A of the Act, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:
- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

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

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

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

The request:

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

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

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

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

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

EXPLANATORY NOTES TO CERTAIN RESOLUTIONS TO BE PROPOSED AT THE AGM

Resolution 3: Approval of the directors' future remuneration policy

The directors' future remuneration policy has been prepared in accordance with new regulations introduced in 2013. Once approved by the shareholders, it will be binding upon the Company from 2014 AGM.

Resolution 8: Director's authority to allot shares

Resolution 8 seeks to give the directors authority to allot ordinary shares in the Company. In accordance with guidelines issued by the Association of British Insurers, the directors are requesting general authority to allot shares having a maximum nominal value of up to £342,079 (being one third of the Company's existing issued ordinary share capital).

Resolution 9: Authority for disapplication of statutory pre-emption rights
Resolution 9 sets out details of how the general authority would potentially be used.

Notice of Annual General Meeting continued

The directors may wish to exercise the authority given to them under resolution 8 in respect of a proportionate rights issue or open offer to holders of equity securities. Such an issue would present certain practical issues in respect of (for example) fractional entitlements. This resolution would enable the directors to resolve these issues. If the directors wish to exercise their authority under resolution 9 and allot unissued ordinary shares for cash, the Act stipulates that they can only do so if such an issue is made on a pre-emptive basis or to the extent that shareholders have given specific authority for the waiver of statutory pre-emption rights which provide that new shares must first be offered to existing shareholders in proportion to their existing shareholdings.

In certain circumstances, it may be in the best interests of the Company to allot new ordinary shares, or to grant rights over such shares, for cash without first offering them to existing shareholders. For example, the directors may wish to implement a placing of new equity securities. Resolution 9 seeks to provide the directors with authority to allot ordinary shares for such a purpose until the earlier of the date falling 15 months after the AGM and the conclusion of the Annual General Meeting of the Company to be held in 2015. The authority sought is limited to the issue of shares having a nominal value of up to £51,312, representing 5% of the total issued ordinary share capital of the Company as at 18 March 2014 (being the latest practicable date prior to the publication of this notice). There are no ordinary shares held by the Company in treasury.

While the directors have no present intention to exercise the authorities proposed to be conferred by resolutions 8 and 9, they believe that the granting of such authorities will preserve the Board's flexibility to take advantage of further opportunities if and when they arise.

The directors consider the passing of the resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole and most likely to promote the success of the Company for the benefit of those shareholders. Accordingly, the directors unanimously recommend that you vote in favour of those resolutions as they intend to do in respect of their own holdings of ordinary shares in the Company.

Group Five Year Record

Group Five Year Record

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Gross sales*	**120,526**	135,549	110,027	87,247	84,950
Gross sales (excl. VAT)	**100,592**	113,342	92,448	74,696	73,735
Revenue	**64,098**	74,609	61,969	48,566	47,566
(Loss)/Profit before taxation	**(3,985)**	(5,750)	543	(668)	(987)
Taxation credit	**112**	(59)	58	85	70
(Loss)/Profit after taxation	**(3,873)**	(5,809)	601	(583)	(917)
Fixed assets					
Goodwill	**892**	892	892	892	892
Tangible assets	**24,641**	25,204	26,586	24,096	24,201
Financial assets	**1,407**	1,432	1,249	16	16
Cash balance	**1,194**	454	738	466	671
Other current assets	**17,903**	21,111	22,138	13,897	12,500
Current liabilities	**(16,455)**	(15,317)	(19,682)	(10,075)	(8,970)
Non-current liabilities	**(22,200)**	(24,243)	(15,063)	(14,700)	(15,505)
Net assets	**7,382**	9,533	16,858	14,592	13,805
Capital employed					
Share capital	**1,026**	1,026	1,026	1,026	1,026
Reserves	**6,356**	8,507	15,832	13,566	12,779
Total shareholders' funds	**7,382**	9,533	16,858	14,592	13,805
Basic (loss)/earnings per share	**(18.9p)**	(28.3p)	2.93p	(2.84p)	(4.47p)
Dividends per share declared	**—**	—	—	—	—
(Loss)/profit on shareholders' funds	**(45.79%)**	(44%)	3.82%	(4.11%)	(5.87%)
Net assets per share	**36.0p**	46.4p	82.1p	71.1p	67.3p

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

Corporate Information

Registered office	The Granville Chambers 21 Richmond Hill Bournemouth BH2 6BJ United Kingdom Telephone 01202 552022 Facsimile 01202 317286 www.beales.co.uk
Secretary	Chris Varley BSc FCA
Auditor	Deloitte LLP, Southampton
Stockbrokers	Shore Capital and Corporate Ltd, London
Registrars	Capita Asset Services, Beckenham
Solicitors	Blake Lapthorn, Southampton
Honorary President	Nigel Beale

Financial Calendar

Annual general meeting	**24 April 2014**
Announcement of interim results for the 26 weeks to 3 May 2014	**23 June 2014**
End of financial year (52 weeks)	**1 November 2014**
Announcement of results for the 52 weeks to 1 November 2014	**February 2015**

Shareholder Information

Shareholder discount

The Company operates a discount scheme through the Group's loyalty card. This entitles shareholders with 2,500 or more shares to a discount of 10% on purchases (5% on electrical products) made in certain of the Group's stores in the financial year to 1 November 2014. The scheme is reviewed annually.

Registered Office
The Granville Chambers,
21 Richmond Hill,
Bournemouth BH2 6BJ,
United Kingdom

tel: 01202 552022
fax: 01202 317286

www.beales.co.uk