



## About Us

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.

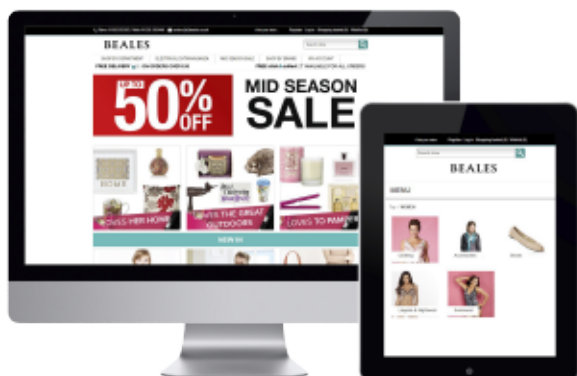
We are proud of our individuality and our unique heritage, which we draw on to provide exceptional levels of personal customer service and in-store environments, which are being enhanced and updated constantly to meet the expectations of our customers.

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.

## 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](http://www.beales.co.uk)** to review our wide range of direct delivered merchandise.

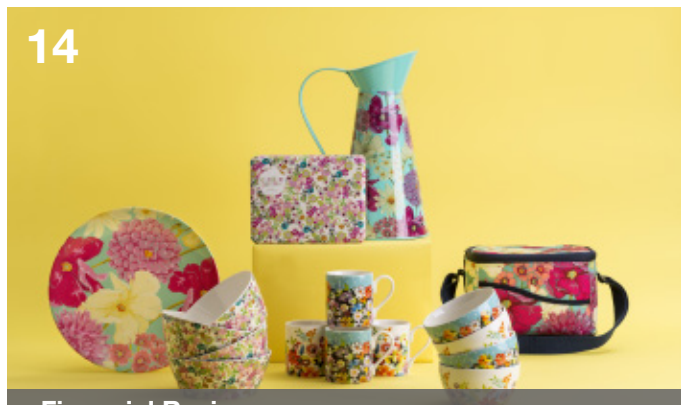


08



Chairman's Statement

14



Financial Review

20



Directors' Report

37



Consolidated Income Statement

39



Company Balance Sheet

# Annual Snapshot

Year end 2014 (52 weeks)

## Number of Stores

**29**

(2013: 31)

## Trading Sq Footage

**943,000**

(2013: 997,000)

## Gross Sales £000

**116,215**

(2013: 120,526)

## Revenue £000

**63,766**

(2013: 64,098)

## Gross Profit £000

**34,015**

(2013: 33,400)

## Operating Loss before exceptionals £000

**1,925**

(2013: 2,530)

## Net Exceptional Expense £000

**69**

(2013: 800)

## Loss before tax £000

**4,611**

(2013: 4,118)

## Loss per share

**(20.4)p**

(2013: 19.5p)

## Net Assets per share

**23.4p**

(2013: 32.0p)

# Contents

## Our Business

- 02** Group Strategic Report
- 08** Chairman's Statement
- 11** Chief Executive's Statement
- 14** Financial Review

## Our Governance

- 18** Directors
- 20** Directors' Report
- 23** Statement of Directors' Responsibilities
- 24** Corporate Governance
- 28** Report of Audit Committee to Shareholders
- 31** Independent Auditor's Report

## Our Financials

- 37** Consolidated Income Statement
- 38** Consolidated Balance Sheet
- 39** Company Balance Sheet
- 40** Consolidated Statement of Comprehensive Loss
- 41** Consolidated Statement of Changes in Equity
- 42** Company Statement of Comprehensive Loss
- 42** Company Statement of Changes in Equity
- 43** Consolidated Cash Flow Statement
- 43** Company Cash Flow Statement
- 44** Notes to the Financial Statements
- 84** Report of the Remuneration Committee

## Shareholder Information

- 96** Group Five Year Record
- IBC** Corporate Information
- IBC** Shareholder Information



# Group Strategic Report

Beales ambition is to be the local high street department store at the heart of the community, securing repeat business by offering the best customer experience which, aligned to absolute fiscal responsibility, is 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 29 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.

The objective of Beales is to provide a quality mix of both branded and own branded product and services to the local community, giving an exemplary and traditional local customer experience, 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, children and the home, tailored to the individual local requirements of our customers, the discerning ABC1 consumer, who is seeking quality, style and value for money.

The Group is proud of its individuality and unique heritage, which is drawn on to provide exceptional levels of personal customer experience. This experiential journey starts online and via social media, continuing to visually through the windows and the store entrances and into the store environments, which are all being enhanced and updated constantly to meet the customers' expectations.

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](http://www.beales.co.uk) to review our wide range of direct delivered merchandise. Beales offers a loyalty card scheme, Love Rewards, which it launched in May 2012 and now has close to 440,000 members.

Beales can be summarised as a business which is 'asset rich', i.e. it owns £19.0m of freehold and long leasehold property assets and £14.6m of stock, yet 'cash poor', i.e. it has £16.5m of net debt and has produced net trading cash outflows for a number of years. Since the current CEO, Michael Hitchcock, joined the business in May 2012 as interim CFO, considerable progress has been made to generate and secure value for Beales Shareholders during a period of uncertainty for secondary and tertiary high street retailers and at a time when material risks have faced the business. In particular, initiatives were put in place to refinance the business and to rebuild and refocus the brand with material consequential improvements to gross margin and operating performance.

This was initially achieved by closing the Company backed store card, closing surplus operating assets, exiting loss making stores where lease terms allowed, removing inefficient and non-productive operational costs and introducing more efficient retail processes into the business. This assisted with the immediately required first refinance of the business's debt, with its then current lender HSBC and allowed the second timely and more appropriate refinance of the business's debt, with its current lender Burdale.

Following the appointment to CEO in February 2013, Michael Hitchcock along with the Trading Director Tony Richards, sought to operate Beales more akin to its heritage of a trusted, local and community based secondary and tertiary high street department store. The business moved entirely away from

constant promotional discounting which was causing dissension both internally with staff, brands and concessions and externally with customers. The business also exited loss making categories such as TV/Audio.

Through the continuation of exiting loss making stores where lease terms allowed, removing inefficient and non-productive operational costs and introducing more efficient retail processes into the business, and alongside regaining both brands and concessions belief in the Beales brand name, the operational performance of Beales has improved markedly over the last two years.

Beales intends to exploit its position in the predominantly secondary and tertiary high street locations where it trades and actively works with the local community to give customers a reason to continue to come back onto the high street. All recent evidence suggests a move towards localised and frequent shopping trips. 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 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, concession brands and categories that are not commercial or economically viable;
2. Introduce new products and categories to fulfil the objective of being the **local high street department store** of choice;
3. Continue the extensive cultural change within the business to ensure the customer interests are always the top priority for every employee and deliver the best customer experience every time;

4. Continue the reorganisation of internal structures to make processes more efficient and cost effective, maximising synergies wherever possible; and
5. Secure the retention of funding to ensure Beales remains a going concern, and utilise the injection of growth capital secured through the declared unconditional bid for Beales, to invest in the store estate;

and to consolidate 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; and
5. Build on the click and collect service it currently provides.

### Progress indicators

Progress will be measured by the financial results of Beales, namely loss reduction and then profit making and cash self-sufficiency. As the business turns itself around – execution to the highest standard of the 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.

**Table 1**

	52 weeks to 1 November 2014 £000	Restated 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	29	31	33	33
Operating loss before exceptional items	(1,925)	(2,530)	(2,936)	(3,832)
Loss before interest, tax, depreciation and amortisation and before exceptional items	(623)	(1,118)	(1,353)	(2,013)
Net (decrease)/increase in cash and cash equivalents in the period	(1,085)	(696)	(289)	272
Net debt	(16,461)	(14,846)	(15,346)	(11,009)

# Group Strategic Report continued

## Review

### Business context

The period since the end of the last financial year (2 November 2013) has seen continued improvement in the turnaround of the Beales business. A quarter on quarter improvement in like for like sales, an improvement in gross margin, a material reduction in the operating losses and continued improvement in the operational management of the business. The business is stronger as a result, with options to now move forward with a far greater degree of confidence having subsequently secured a bid for the business which comes with a minimum of £1m and up to £2m of capital growth funding (see further progress below).

Quarter on quarter like for like sales improvement:

During the year ended 1 November 2014, the quarter on quarter improvement in like for like sales shows the operational turnaround is gaining momentum (see table 2).

### Gross margin improvement

The year ended 1 November 2014 has seen a further increase of 120bp in gross margin, following the 150bp increase in gross margin for the year ended 2 November 2013. Over the space of two years gross margin has improved nearly 3 percentage points. This has been achieved through better own bought product sourcing and buying, delivering a higher intake margin, and less use of promotional markdown and the continued reduction in stock loss, delivering a higher retained margin.

### Material reduction in operating losses

Having secured the improvement in both like for like sales and gross margin, the business has strenuously worked to mitigate away any inflationary and contractual cost increases that it has been faced with. Further diligent control over staff rotas and the improvement in back office processing has enabled material reductions in certain cost areas to leave administrative costs level with last year and £4.8m lower than two years ago.

### Gains in operational management

There was far more stability in the trading stance of Beales across the year ended 1 November 2014. It was the first complete trading calendar with none of the previous management's favoured 'Mega' promotions, and was rewarded with a 1.8% improvement in gross profit against a 3.6% reduction in gross sales, compared to the prior year. There were fewer concession partner administrations across the same period compared to the prior year, one versus five, which minimised the disruption to trading. The concessions 'mats' across the entire business were 100% full very early into the trading period, with new concessions such as Woods of Dorchester, Bobbi Brown, Bon Marche, Dorothy Perkins, and Gagliardi all opening across varying stores.

### Business interruption and retail unpredictability

There were a number of interruptions to trade across the financial year. Two store closures, Keighley Home store and Harrogate; a warm autumn at the start of the year held back sales at full margin; floods in spring across much of the country not only held back sales at full margin but also prevented sales in some circumstances. The abnormal and unhelpful weather patterns across the year were negatively correlated with the normally expected seasonal product launches.

### Stronger business

The people changes made in the prior year, the ongoing material cultural shift in the business, the focus on creating 'the best customer experience', playing to our position at the heart of the community and being local, have all created a game change in the performance and turnaround of Beales. We have continued to invest in the Web platform to maximize the opportunity for growth through this channel. The business currently has a list of both new and existing high street retail brands keen to join Beales in the future when the opportunity presents itself. The foundation has been laid and the launch pad created for the further turnaround following the subsequently secured bid for the business which comes with a minimum of £1m and up to £2m of capital growth funding (see further progress below).

Table 2

Quarter 1	-4.4%	very poor start to the autumn/winter season in 2013 due to warm weather
Quarter 2	-0.6%	strong Easter trading and seasonal weather for start of spring/summer 2014 season
Quarter 3	+0.2%	strong late summer trading as consumer confidence rose
Quarter 4	+1.9%	the fourth quarter improvement would have been materially higher, had it not been for a now recognised unseasonably warm autumn

### Clear vision

The vision for Beales is very clear with (1) the need to secure an injection of growth capital into the business to create a buffer against any short term retail shocks (achieved subsequent to the year end; see further progress below), (2) to exit up to five loss making stores that drain in total c.£1.5m of cash each year, and (3) invest in strategic store refits to retain and attract key cosmetic and fashion brands, which in turn attract further quality brands into the Beales stores.

### Further progress

Since the year end, the Board has made further progress to confirm the long term viability of Beales. On 19 January 2015 the Boards of Beales and English Rose Enterprises Limited (English Rose), a company controlled by Andrew Perloff, announced that they had reached agreement on the terms of a recommended cash offer by English Rose for the entire issued and to be issued ordinary share capital of Beales (the "Offer").

Under the terms of the Offer, which was subject to the conditions and further terms set out in the announcement and the full terms and conditions set out in the Offer Document issued on 29 January 2015, Beales Shareholders who accepted the Offer were entitled to receive for each Beales Share 6p in cash. The Offer valued the entire issued ordinary share capital of Beales at approximately £1.23m.

The Board of Beales carefully considered the terms of the Offer. Under the Code, the Beales Directors were required to obtain independent advice on the Offer and to make the substance of such advice and its own views known to Beales Shareholders.

The Offer Price represented a discount of approximately 48 percent to the Closing Price of 11.5p per Beales Share on 16 January 2015, being the last business day prior to the date of the announcement. The Board of Beales believed that the Offer Price was disappointing and that in different circumstances it could have achieved a price that would value the business and assets of Beales more fully.

However, the complex capital structure inherited by the current Beales Board imposed a number of restrictions on Beales' ability to fund its activities, including the requirement for the Concert Party (a group of companies and individuals controlled by Andrew Perloff) to agree to any of the alternative funding options the Beales Board had identified. As a result, Beales may have been unable to generate sufficient cash flows to meet its longer term financial commitments in the future. Accordingly, the Beales Board believed that Beales Shareholders should carefully consider the future risks facing the Group and may wish to accept the Offer, depending on their own individual circumstances and appetite for risk.

As was seen in early Autumn/Winter 2014 when the UK retail sector suffered a period of weak trading given the unseasonably warm weather, Beales trading remains volatile and difficult to predict. Importantly, the Board of Beales, giving consideration to its statutory and regulatory obligations to consider the medium to long term prospects of the Group, believed that the business required additional capital to maintain and accelerate the pace of the turnaround of the business, so as to ensure that it is robust in the event of further negative market dynamics and/or future balance sheet commitments which could otherwise have a significantly detrimental impact on the Group.

In this context, the Board of Beales appointed PriceWaterhouseCoopers LLP (PwC) in October 2014 to review the Group's financial position and to consider options to raise additional capital. As part of this exercise, Beales and PwC held discussions with the two largest shareholders of Beales and with the Group's lender, Burdale Financial Ltd, now referred to as Wells Fargo Capital Finance. A number of options were considered, but the Beales Board believed that none could realistically deliver greater value to Beales Shareholders without the agreement of the Concert Party. As an alternative, English Rose put forward the Offer.

With the Offer being declared wholly unconditional on the 20 February 2015, the Concert Party has committed to support the business with additional growth capital which is expected to improve the future security of the business, its employees and the Beales pension schemes. English Rose has also extended the offer period to 12 March 2015 in case other shareholders now wish to accept.

The Offer has been declared unconditional in all respects and on no event of default having arisen (save where such event of default has been waived by Wells Fargo Capital Finance) under the Facility, Portnard (a company controlled by Andrew Perloff) has agreed that it will procure the lodging of a £2.0m deposit with Wells Fargo Capital Finance. On receipt of such deposit, under the terms of the Collateralised Term Loan Facility, Wells Fargo Capital Finance will make £1.0m available for immediate use by Beales (subject to the Facility continuing to be available for drawdown at that time and in addition to any current ability to draw down on the Facility), with a further amount up to a maximum of £1.0m potentially being made available to Beales by Wells Fargo Capital Finance through the Collateralised Term Loan Facility subject to the re-registration of Beales as a private company and to further conditions which may be agreed and which may include recommendations arising from English Rose's detailed operational and strategic review with Beales' management. English Rose has indicated its intention to work closely with management to assess the options available to Beales to protect, promote and develop its business.

# Group Strategic Report

continued

## Market Overview

The retail sector saw an improving second half of the year as people started to feel more confident about their jobs and their financial security. The improvement has been limited as the pace of real wage growth was held back by inflation running at higher rates than wage increases. The independent department store sector is still under increasing pressure with more and more stores and chains coming up for sale and a number of solus units falling into administration as they have been unable to facilitate the access to higher levels of working capital funding.

Customers have continued to shop cleverly and seek out products which come with a promotion and/or a discount and prioritising value; the first area customers go to in store is still the 'sale' rail. As customer confidence has improved, notwithstanding the 'perverse' British weather, they have also started to move into the full price product at the start of each fashion season.

The vagaries of the English weather have also served to make it very difficult, for fashion in particular, to form any sort of normal sales pattern; warm and wet when fashion dictates it should be cold and dry and cold and wet when fashion dictates it should be warm and dry.

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 continue to face a very challenging and competitive trading environment. Sound risk management is an essential discipline for running the business efficiently.

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.

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 uncertainty resulting from the long period of austerity that the UK has

been through, the forthcoming General Election in the UK and instability in the Eurozone. Beales may offer the best customer experience with the best looking shops and the best product, but if the customers do not have increasing free disposable cash, and an increasing propensity to spend, the trading results will be negatively affected. A slowing return of consumer confidence and any resultant need for increased discounting and promotions to stimulate demand, 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 a much reduced level of disruption to trading through concession failure and poor product or line failure, however as the prior year showed, the level of disruption can be much higher. 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 on a daily basis.

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 fulfil 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 it continually reviews in determining that the Group continues to operate as a going concern. Please refer to the Going Concern statement on page 45.

## Other Key Considerations

### Employees

People and their characters 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 for the business.

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	2	0
Senior Managers	48	79
Employees	244	1,054
Total	294	1,133

### Environment

Beales has an ageing property 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 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

As we progressed through this financial year, it became increasingly apparent that the UK economy was improving. This was reflected by a cautious increase in consumer confidence in their own disposable income and consequently their spending power.

---



### Overview

We reported in our September trading statement that the 'improving macro-economic environment and a more positive consumer, aligned with a more seasonal weather pattern in the second half of the year, had improved trading markedly'. This was evidenced by our increasing quarter on quarter like for like percentage sales increases in 2013/14. However, in common with many other UK retail businesses, the arrival of autumn seasonal merchandise in our stores, coincided with a prolonged period of unseasonably warm weather, which negatively impacted sales, through to the end of the financial year at the beginning of November and indeed this trend continued until the end of that month.

Operationally, Beales has returned to its core brand heritage as a trusted, local and community based department store chain, located in secondary and tertiary locations. We offer our customers access to great value, brands and quality products through a balanced mix of own bought products

and concession brands, through which we have once again, enhanced margin this year. We worked hard to address the concession partner challenges we suffered last year with failure/underperformance and I am pleased to report that all concession space in our stores is now filled. Our decision to move away from constant promotional discounting has paid dividends with many high street brands seeking to work with us as future concession partners. Our loyalty programme continues to go from strength to strength and has now attracted c.440,000 members since its launch in May 2012. It is appropriate that I give great praise to our people, throughout our business for their dedication and hard work, to deliver great customer service which differentiates us from our competitors, builds Beales brand loyalty, generating future footfall and sales.

### Recent Events

As you are all aware, Beales is a business in turnaround and once again, we have continued to concentrate and focus all our efforts and available resources, to the very best of our ability, on what we can control. Whilst further positive progress has been made in 2013/14 towards the Group's major objective of returning our business to profitability, significant challenges remain which cannot be ignored and must be addressed by the Board on behalf of shareholders. Specifically, these challenges relate to the Board's statutory and regulatory obligations to consider the medium to long-term prospects of Beales, together with the future financial obligations that result from legacy balance sheet issues arising from the ARCS transaction in 2011.

The Board concluded that in order to maintain and accelerate the pace of the progress made in the business turnaround to date, further capital was required to invest in the Beales business, not only in store environments, but also to insulate our business from the volatility of the marketplace and vagaries of our UK climate. We engaged PriceWaterhouseCoopers LLP to investigate all options to raise additional capital, but none could be implemented

without the agreement and consent of the major shareholder, Andrew Perloff (and connected parties). As an alternative, subsequent discussions resulted in a recommended cash offer agreed between the Boards of Beale PLC and English Rose, a vehicle used by Andrew Perloff (and his connected parties) for this transaction. This offer was announced to all shareholders in January 2015 for their consideration.

Your Board believes that the offer was disappointing and that in different circumstances it would have achieved a price that would value the business and assets of Beales more fully. However, the capital structure of Beales inherited by the current Board is complex and restrictive. The forecast impact of this capital structure on the ability to fund our activities going forward, coupled with the requirement of the major shareholder to agree and consent to any of the alternative funding options your Board had identified, led us to conclude that we may be unable to generate sufficient cash flows to meet our longer term financial commitments.

On 20 February 2015, English Rose exercised their right to waive an acceptance condition of not less than 75% in nominal value of Beale Plc shares, having achieved 63%, and declared the bid unconditional.

## Results

The Group loss before tax for the year (*52 weeks ended 1 November 2014*) was £4.6m after exceptional charges of £0.1m (further details of which are detailed in the Financial Review). This was £0.5m worse than the previous year's (*52 weeks ended 2 November 2013*) £4.1m loss after exceptional charges of £0.8m. This reduction was due to the revaluation of the embedded derivative and additional non-cash finance expenses relating to the preference shares, offset by improved margin and continuing cost savings achieved through our ethos of fiscal responsibility. Sales were negatively impacted by Board decisions to exit a loss-making store in Keighley Home and a landlord decision to close Harrogate for redevelopment. Sales were also affected by the decisions made by the Board last year to exit loss-making TV and audio categories and stop 'Mega' promotions which chased sales at the detriment of margin, whilst devaluing our Beales brand proposition and confusing our customers, suppliers and concessionaires.

Gross sales (including VAT and Concession Sales) for the 52 weeks ended 1 November 2014 were £116.2m (*52 weeks ended 2 November 2013: £120.5m*). Gross profit for the year was £34.0m (*2013: £33.4m*) and was achieved at a much improved margin of 53.3% (*2013: 52.1%*). As mentioned earlier, Sales were negatively impacted by store closures in 2013/14 and Board decisions in 2012/13 to exit TV/Audio categories and stop 'Mega' promotions.

Excluding the preference shares, net debt of £9.2m at 1 November 2014 is £0.8m higher than the previous year (*2013: £8.4m*) due mainly to the operating loss on ongoing trading.

A more detailed review of Group performance can be found in the Chief Executive's Statement on pages 11 to 13. The financial results are discussed in greater detail in the Financial Review on pages 14 to 17.

## Trading Update

Beales had a much better start to the new financial year than in 2013/14, despite the warm autumn weather which impacted demand for seasonal merchandise and the growing impact of 'Black Friday' (28 November) which some commentators believe has changed the shape of Christmas trading and the emphasis on January sales. Like for like sales (including concessions and VAT) were 1.5% higher for the nine weeks to 3 January 2015 compared to the same period last year on an improved margin. Total sales including concessions and VAT were 1.1% lower in the same period to 3 January 2015 due to the store closures mentioned earlier.

Christmas trading was good in a very competitive and challenging environment. During the 14 days of Christmas, like for like sales were 6.1% higher than 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 were 1.7% higher, than the same period last year, and with continuing progress in raising the retained margin on products and services.

## Board Succession

On 26 June 2014, John Chillcott retired as a non-executive director from the Board. John had acted as a non-independent non-executive director looking after ARCS interests since the completion of the ARCS transaction in 2011. The Directors are grateful to John for his considerable contribution.

On 22 July 2014, following consultation with Panther Securities Plc and Simon Peters, the Board decided that there was no longer a necessity for a Panther representative on the Board of Beale PLC. Consequently Simon Peters was removed as a non-independent non-executive director representing the interests of Panther Securities Plc/Maland Pension Funds and Andrew Perloff. The Board wish to thank Simon for his contribution.

## Staff

I would like to place on record, on behalf of the Board and shareholders, our enormous thanks and gratitude to all Beales staff throughout our Group, wherever they work – whether in stores or head office. I would like to thank each and every one of them for their shared desire to play their part in the turnaround and for their support, loyalty and commitment. We recognise the

# Chairman's Statement

continued

massive contribution you continue to play in the turnaround of this business and could not do this without you.

It is also appropriate that I express on behalf of the Board and shareholders of Beale PLC, our sincere appreciation to our most valued concession partners, suppliers and to AIS, a key buying group. I thank you for your contribution and value our partnership and the business looks forward to continuing to work with you in the future.

## Banking Facilities and Going Concern

We are very appreciative of the financial support and partnership extended to us by Burdale with whom we began a three-year loan facility in February 2013 subsequently extended to 1 April 2016. We continue to have an excellent working relationship with them.

As you would expect, the Group continues to manage its cash very closely and has worked within its facility during the 2013/14 financial 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 and makes decisions accordingly.

The Board believes that the Group should be able to operate within its borrowing facilities for at least the next 12 months 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

As we look forward to the rest of 2014/15, we hope that consumer confidence and spending will continue to increase as the economy follows its predicted course of recovery. However, as I said last year, we recognise that with continued recovery comes the prospect of increased interest rates and also the possibility of higher taxes, both of which will impact on disposable incomes. On top of that, we have a General Election in May 2015. As I said earlier, we at Beales will continue to concentrate and focus all of our effort and available 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 continuing superlative efforts and achievements over the last financial year.

**William Tuffy**

Independent Non-Executive Chairman





# Chief Executive's Statement

Twenty four months ago I personally set out with an objective to establish Beales at the heart of the communities where our stores were located, providing the best customer experience every time.



## Introduction

Beales had to be 'different'; and now it is. 98 times out of 100 we get it right based on the verbal, written and social media feedback from our customers. They have noticed the change and that is what pleases me most. Beales is a long established department store retailer with tradition, values and great people and those great people have rallied to my call and delivered in abundance.

The progress that has been made and the firm foundation that is laid to move through the next phase of turnaround, are clearly set out in the strategic report:

- Quarter on quarter like for like sales improvement;
- Gross margin improvement;
- Material reduction in operating losses;
- Gains in operational management;
- Stronger business; and
- Clear vision.

The business faced a number of material environmental, commercial and macro-economic business interruptions throughout the year. Out of character weather patterns again

ran in contradiction to the fashion products on sale during the typical autumn/winter and spring/summer seasons. The failure of one concession partner and the closure of two operating units is referenced in the Strategic Report and caused both operational disruptions and adverse financial implications, albeit to a lesser extent than the year before.

The retail sector saw an improving second half of the year as people started to slowly feel more confident about their jobs and their financial security. The improvement has been stunted as the pace of real wage growth was held back by inflation running at higher rates than wage increases. Customers have continued to shop cleverly prioritising value and seeking out products which come with a promotion and/or a discount; the first area customers go to in store is still the 'sale' rail. As customer confidence has improved, notwithstanding the 'perverse' British weather, they have also started to move into the full price product at the start of each season.

The independent department store sector is still under increasing pressure with more and more stores and chains coming up for sale and a number of solus units falling into administration as they have been unable to facilitate the access to higher levels of working capital funding.

The business again ends the financial year in a far stronger operational position than it was when it entered. The concession 'mats' remain full with a waiting list of brands looking to join Beales, the stock is lower and the cleanest it has ever been with stock loss down again, the margin in the opening stock yet again supports the anticipated gross margin growth for 2015 and we now have growth capital options with the declared unconditional bid for the business and the capital injection that comes with that bid.

Gross sales (including VAT and concessions) for the 52 weeks were £116.2m against £120.5m for 52 weeks last year, a reduction of 3.6%. Taking into account closed stores, the reduction in gross sales was 1.1%.

# Chief Executive's Statement continued

The operating loss before exceptional items was £1.9m a 24% improvement on the £2.5m 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 move to a position of generating 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 440,000 members with the penetration rates in more and more stores in excess of 50%. This continues to support 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 and a rebalancing of the sales mix between own bought product and concessions allows us to retain higher gross profits. The concessions 'mats' across the entire business are 100% full, with new concessions such as Woods of Dorchester, Bobbi Brown, Bon Marche, Dorothy Perkins, and Gagliardi all opening across varying stores. 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 in the past, 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 and others through tactical displacement and replacement. The concession mix is now 46% (2013: 49%), with own bought product sales representing 54% (2013: 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. The business currently has a list of both new and existing high street retail brands keen to join Beales in the future when the opportunity presents itself.

## 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 experience and people

The best customer experience leads to the best customer reaction which in turn facilitates the best chance of brand recall and ultimately the best chance of repeat business. Since taking on the role of CEO I have invested considerable business time, effort and money, to ensure this simple and logical step process becomes embedded in to everybody's daily routine. I am pleased to say that the business has responded admirably as part of the turnaround strategy. The continued responsiveness of the staff across the entire business is humbling at times and hugely appreciated.

## Cost controls

The discipline of cost control needs to be a culture; having instigated a somewhat draconian approach to cost control two years ago, whereby the CEO signs off all discretionary expenditure, it has helped to engender a much more thought provoking attitude to spending the business's money. Further cost controls have been achieved through a continuation of 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.

## Principal risks and uncertainties

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 in the Group Strategic Report, which the Group continually reviews in determining that it continues to operate as a going concern. Please refer to the Going Concern statement on page 45.

## 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 change that I have had the pleasure to lead over the last two years has not only ensured Beales longer term existence, it has laid a firm foundation onto which the next phase of the business turnaround can be laid and the ultimate phase of growth, can be placed on top. The talent within our business that has always existed has been given the space to flourish and thrive, both individually and as a collective. Beales is and will be ever stronger as a result. The growth capital which has been secured will facilitate the next stage in the turnaround of Beales.

### Michael Hitchcock

Chief Executive



# Financial Review

The business has continued to reset the operational cost base throughout the year and is now operating close to its optimum leveraged level for a retailer of its size. At the head office in particular the cost as a percentage of sales are the lowest they have been for many years.

## Overview of the Year

Initiatives to drive the sales line will now ensure the maximum productivity from this 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 sought to work with all key stakeholders to ensure as much cash as possible remains in the business and put to best use.

The loss after taxation increased from £4.0m to £4.2m. £1.4m of the loss is the reduction in the value of the embedded derivative asset and £0.8m of the loss is linked to the movement in the carrying value of the preference shares, both of which are non-cash items. The balance sheet net asset value of £4.8m (2013: £6.6m) contains freehold assets of £12.5m (2013: £12.4m), long leasehold assets of £6.5m (2013: £5.5m) and a stock balance of £14.6m (2013: £15.2m).

Since 1 February 2013 the business's loan facility has been with Burdale. Having the Group loan facility with 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. Burdale have been a highly supportive lender to Beales throughout their ongoing association.

## Results

Gross sales, which include VAT and concessional sales, decreased to £116.2m (2013: £120.5m). During the year, the Group ceased trading in two stores, Harrogate and Keighley Home. Excluding the two stores which closed, gross sales were 1.1% down on the previous year. Revenue from continuing operations fell to £63.8m from £64.1m. During the year 22 of the Group's restaurants/cafes within the department stores became own services rather than being concessionees. As a consequence concession sales now account for 45.6% (2013: 48.8%) of gross sales.

Gross margin rose from 52.1% to 53.3%. This is the result of improved intake margin, lower promotional markdowns and discounts, reduced stock losses and provisions.

Total administration expenses fell from £36.7m to £36.0m. The business strenuously worked to mitigate away any inflationary and contractual cost increases that the business has been faced with, diligent control over staff rotas and the improvement in back office processing.

During the year there was a net exceptional charge of £0.1m (2013: net exceptional charge £0.8m); this related to refinancing costs.

The operating loss has decreased to £2.0m (2013: £3.3m).

The net cost of financing the business rose from £0.8m to £2.6m, 86% of the current year's cost comes from the finance charge on the preference shares and the reduction in the carrying value of the embedded derivative which are non-cash adjustments.

The Group has property operating leases which include agreed annual rent charges across the lease term. IAS17 Leases states that operating lease expenses should be recognised straight line over the lease.

Prior to the current financial year the Group had not complied with this requirement. Consequently, as at the year ended 1 November 2014 the Board corrected this position by processing an adjustment to prior year opening reserves and losses. The adjustment to the Group reserves as at 3 November 2012 was £0.7m. The Group have also restated the loss for the period to 2 November 2013 from continuing operations attributable to equity members from £3.9m to £4.0m.





### Taxation

Deferred tax is provided in the accounts at 20%. There is a deferred tax credit of £0.4m (2013: credit £0.1m).

### Earnings

The loss per share and diluted loss per share was 20.4p (2013: loss per share and diluted loss per share 19.5p).

Loss before interest, depreciation, amortisation, exceptional items and tax reduced to £0.6m (2013: £1.1m loss).

No dividends were paid in the year (2013: nil per share). The Board considers that a significant trading improvement will be necessary before dividends are paid.

### Pensions

The Group's defined benefit pension plans are closed to future accrual and all ongoing pension benefits to employees are provided on a defined contribution basis.

From 1 September 2013, the Group's defined contribution pensions are provided via a Group Personal Pension Scheme with Scottish Widows and the People's Pension as part of Auto-enrolment.

At the year end, there was a pension surplus under IAS19 in the Group's closed defined benefit pension plans of £2.2m (2013: £0.8m); details of this are shown in note 34 of the financial statements. The total actuarial gain for the period was £1.4m (2013: £1.5m).

During the year the Group continued to meet the contribution schedules agreed with the trustees for both schemes, contributing £0.2m (2013: £0.5m). Agreement was reached with the trustees of the Beales scheme regarding the triennial valuation based upon the year ended October 2013. For the first three

months of the financial year, a monthly contribution of £41,667 was paid into the scheme. Following discussions between the Group and the pension trustees no contribution has been paid to the scheme between 1 February 2014 and 1 November 2014. The Denners scheme October 2011 triennial valuation has been finalised by the actuary and no employer contributions are required. The calculations for the Denners scheme triennial valuation for the year ended 1 November 2014 are ongoing.

### 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 business is specifically investing in the tills used in over half the stores to align them on to one system. The improved alignment 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.

Following the impairment of Beale PLC's investment in J.E. Beale PLC, there are no longer sufficient distributable reserves to redeem the preference shares early and given that the Company would be unable to borrow at the required rate to take advantage of the repayment option in terms of the underlying preference shares, management have valued the embedded derivative at nil.



# Financial Review

continued

The valuation of the preference shares is based on an amortised cost model. Following the impairment of the investment in J.E. Beale PLC in the current year, Beale PLC has insufficient distributable reserves to make redemptions or pay dividends as they fall due. At the present time, the Group is unable to assess with any reasonable certainty when Beale PLC will have sufficient distributable reserves available to make any redemption of or pay dividends on the preference shares. Accordingly, under IAS39.9, the Group has used the contractual cashflows over the full contractual term of the financial instrument in arriving at the carrying value of the preference shares.

The Burdale loan has been extended by 2 months to 1 April 2016. 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 and following the declaration of the unconditional bid, there is a further £2.0m cash collateral, £1.0m available immediately, which will increase the borrowing capability. The maximum the Group could borrow from Burdale in the year ended 1 November 2014 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 periods 1 December 2013 to 31 January 2014 and 1 December 2014 to 31 January 2015, 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

Please see the full going concern note on page 45.

## Balance sheet and cash flow

The balance sheet retains a net asset value of £4.8m (2013: £6.6m).

Inventories have been reduced by £0.7m in part as a result of the closure of Harrogate and Keighley Home stores and due to improved monitoring and management of stock balances. The revaluation of freehold and the long leasehold increased fixed assets by £1.3m. The restricted cash balance at the end of last year was returned during the year. Other movements include

the revaluation of the carrying value of the preference shares £0.8m and a restatement to lease provisions £0.8m in relation to accounting for lease incentives which has been corrected as a prior year adjustment. Total net borrowing (excluding the preference shares and restricted cash) is £9.2m (2013: 8.4m), including both current and non-current elements.

During the year the net decrease in cash and cash equivalents was £1.1m (2013: £0.7m) which reflects the financing and repayment of the net debt £0.6m and minimal capital expenditure of £0.5m. The prior period was impacted by the cash inflow arising on the closure of the store card. The business has been very adept managing its working capital which has generated a net inflow of cash of £0.8m.

## 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. In the event that the Company should fail to redeem preference shares or pay a dividend an additional dividend becomes payable at 4% 12 months after the due date.

The valuation of the embedded derivative has decreased to nil as the Directors have reassessed the inputs to the valuation model.

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



**Michael Hitchcock**  
**Chief Executive (age 49)**

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 and Private Equity businesses and has 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.



**Tony Richards**  
**Trading Director (age 48)**

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.



**William Tuffy MBA, ACA, FCCA**  
**(age 52)**

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 Ltd interim finance director. From December 2004 to March 2007 he was finance director of Select (Retail Holding) Limited. Previously he had been finance director of TK Maxx Limited and held senior finance positions in Storehouse PLC.



## Other directors who served during the year



**Catherine Norgate-Hart**  
(age 54)

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.

Catherine was appointed to the Board on 18 July 2013. Since 2008 Catherine has been a director of KDC Trading Ltd, which she co-founded. Between 2008 and 2012 she was a non-executive director at Grabol Alok UK Ltd. She was also a non-executive director at Maclaren Europe Ltd 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 and merchandising director of T J Hughes PLC. From 2002 to 2004 she was commercial director at Woolworth PLC.



**John Chillcott**  
(age 56)

Non-Independent Non-Executive Director

Appointed to the Board in August 2011. He resigned on 26 June 2014.



**Simon Peters**  
(age 37)

Non-Independent Non-Executive Director

Appointed to the Board in October 2013. He resigned on 21 July 2014.

# 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 1 November 2014.

---

## 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, 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. Both the Keighley Home and Harrogate stores closed in August 2014.

## 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 17. 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 (2013: 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 27 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 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 Central England Cooperative. 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.

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

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

After the third anniversary of completion, the preference shares were freely transferable to a maximum of five transferees in multiples of at least £500,000. £7m of the preference shares have now been transferred to Panther Securities PLC.

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.

Should the Group 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. Following the closure of stores in 2012/13 the Group redeemed 306,612 £1 preference shares on 7 December 2012 and 209,435 £1 preference shares on 30 September 2013.

The Company is required to redeem any such shares that have not been converted half-yearly in two equal instalments of £500,000 payable on 30 November and 31 May in each relevant financial year, the first such redemption to be made on 31 May 2017 will be reduced to the extent of any early redemptions following store closures.

Subject to having sufficient distributable reserves, the Company has the option to redeem, at nominal value, any of the preference shares at any time. This redemption option gave rise to an embedded derivative asset which is recognised at fair value on the balance sheet. See note 32.

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.

Following the impairment of the investment in J.E. Beale PLC, Beale PLC has insufficient distributable reserves to make any future redemptions or pay dividends. Owing to the uncertainty as to when the Group may have sufficient distributable reserves to redeem the preference shares or pay the dividends, in accordance with IAS39.9, the Group has used the original contractual cashflows over the full contractual term of the financial instrument in arriving at the carrying value. On this basis the amortised cost at the period end was £7.28m (2013: £6.43m). The effective interest rate being 7.58%.

Following the closure of the Harrogate and Keighley Home stores Beale PLC was due to redeem 387,377 £1 preference shares. However as Beale PLC does not have distributable reserves, legally the Company is unable to redeem the preference shares.

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

The preference shares are treated as a liability in the financial statements due to their terms and conditions, including the fact that because the number and value of shares at such a conversion is not fixed in advance.

## Directors

The Directors during the year and to the date of issuing this report were John Chillcott\* (resigned 26 June 2014), Michael Hitchcock,

Simon Peters\* (resigned 21 July 2014), Tony Richards, William Tuffy\*, Catherine Norgate-Hart\* (\*non-executive).

Biographical details of the Directors, indicating responsibilities and experience, are on pages 18 to 19.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Associations, the Combined Code, the Companies Act and related legislation. Articles themselves may be amended by special resolution of the shareholders.

Details of share schemes are set out on note 28 and in the remuneration report.

## Directors' interests

The Directors who held office at 1 November 2014 had the following interests in the share capital of the Company.

	2014 Ordinary shares of 5p	2013 Ordinary shares of 5p
Michael Hitchcock	–	–
Catherine Norgate-Hart	–	–
Tony Richards	10,000	10,000
William Tuffy	10,000	10,000

Tony Richards and William Tuffy's shareholding was acquired by English Rose on 20 February 2015 when the cash offer became unconditional.

## 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 28 of the accounts and in the remuneration report on pages 84 to 95. The performance condition applying to the share awards was not achieved. Consequently all existing awards lapsed in the year.

## 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 £877,000 (2013: £725,000). This liability to taxation takes into account indexation from the date of purchase.

# Directors' Report

continued

## Substantial shareholdings

At 26 February 2015, 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:

English Rose	65.50%
Mrs Ingibjorg S. Palmadottir	6.82%
Standard Bank Offshore Trust Company Jersey Limited Settlor L. Frenkel	3.90%

## 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 1 November 2014:

- Electricity 8,022 global tonnes of CO<sub>2</sub> emissions (2013: 7,605 global tonnes)
- Natural Gas 945 global tonnes of CO<sub>2</sub> emissions (2013: 1,197 global tonnes)
- Global tonnes of electricity and natural gas are 0.0077% (2013: 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 24 to 27 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

26 February 2015

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 Article 4 of the IAS Regulation 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 as adopted by the European Union, 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 taken 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.

This responsibility statement was approved by the Board of Directors on 26 February 2015 and is signed on its behalf by:

**William Tuffy**

Chairman

26 February 2015

**Michael Hitchcock**

Chief Executive

26 February 2015

# 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 the 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 two non-executive directors and two executive directors. The independent non-executive directors during the year were William Tuffy and Catherine Norgate-Hart, John Chillcott (resigned 26 June 2014, Simon Peters (resigned 21 July 2014). John Chillcott and Simon Peters were non-independent non-executives until they resigned. The chief executive throughout the year was Michael Hitchcock. All Directors 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. 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 provide another point of contact for shareholders if they have issues of concern which communication through the normal channels of chairman, chief executive or trading 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 84 to 95.

## 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 28 to 30.

### Nomination committee

For the period from 3 November 2013 the nomination committee comprised William Tuffy (Chairman), Catherine Norgate-Hart and Simon Peters. On 21 July 2014 Simon Peters resigned from the nomination committee. The committee's main duties are to review the structure, size and composition of the Board, to consider succession planning for directors and other senior executives and to identify and nominate for

Board approval candidates to fill Board vacancies. The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office. No recruitment consultants were used to recruit directors during the year. 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. As the nomination committee did not seek any new directors no meeting was held in the year.

### Director attendance at meetings held during the 2014 financial year

	Full Board	Audit committee	Remuneration committee	Nomination committee
Number of meetings	10	5	2	–
William Tuffy	10	5	2	–
Michael Hitchcock	10	–	–	–
Catherine Norgate-Hart	10	5	2	–
Tony Richards	10	–	–	–
John Chillcott	4	–	–	–
Simon Peters	5	–	–	–

### 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 1 November 2014, 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** - 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;

# Corporate Governance

continued

- 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 Strategic 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 the field auditor 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](http://www.beales.co.uk) for corporate information.

## Going concern

On 1 February 2013 the Group entered into a new three year 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 2015. The bank facility states that, for covenant levels beyond October 2015, the Lender, acting reasonably, will determine new trading cash flow covenant levels for the following financial year or remainder of the lending facility 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 periods 1 December 2013 to 31 January 2014 and 1 December 2014 to 31 January 2015 where the limit shall be £3.0m. Subsequent to the year ended 1 November 2014, executive management have secured an extension to the loan facility, on all existing terms, to 1 April 2016.

As noted in the Chief Executive's Statement on pages 11 to 13 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 14 to 17. In addition, note 32 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, interest rate risk, market risk and liquidity risk.

The Directors have prepared forecast information for the 2014/15 year and a three year corporate plan. Based on these forecasts, forward covenant tests to October 2015, 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 2015 and that the business can work within its available facilities. Since the year end, the Board has made further progress to create additional headroom to borrowing facilities in case of negative trading movements. This has been secured following the declared unconditional bid for the business and the capital injection that comes with that bid (see the Group Strategic Report for full details). 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 of the Board and that of its committees and individual directors; 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 throughout the year ended 1 November 2014 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/Central England Cooperative agreement he was not subject to election or re-election of intervals of not more than a year. In relation to clause C3.6 the Group did not have an internal auditor throughout the financial year. However, the process development manager and, since the 8th September 2014 her field auditor, did carry out an increasing amount of internal audit work which 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 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. 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 3 November 2013 the audit committee comprised the two independent non-executive directors, William Tuffy and Catherine Norgate-Hart. 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 fulfil the audit committee's duties. William Tuffy was Chairman of the audit committee throughout the financial year ended 1 November 2014 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. 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 maximize 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 2014 annual report and accounts.

Management provided detailed papers on going concern, asset impairment, investment impairment and projections. Management provided the audit committee with the risk review, these risks are referred to in the Directors' Report. This data provided the committee with the supporting detail to ensure that the committee are in a position to report to the Board that the 2014 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 focused 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
- Retirement benefits
- Beale PLC's investment in J.E. Beale PLC
- Property provisions

## Fixed Asset impairment

Each year the Directors review fixed assets to ensure that the carrying value of certain store fixed assets exceeds the future value expected to be derived from holding the assets. The Directors have taken an asset impairment charge of £nil (2013: £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 there is no impairment. It is an ongoing responsibility for the Directors to review fixed assets for impairment (see note 15).

## Goodwill impairment

IAS36 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 Director's conclusion (note 13).

## Going concern

The Directors have in place loan facilities with Burdale Financial Limited which extend to 1 April 2016. Burdale do require the Group to achieve a pre-agreed trading cash flow until October 2015. 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 to ascertain 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.

Since the year end, the Board has made further progress to create additional headroom to borrowing facilities in case of negative trading movements. This has been secured following the declared unconditional bid for the business and the capital injection that comes with that bid (see the Group Strategic Report for complete details). 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 stock loss provision of £399,000 (2013: £584,000) and a stock ageing provision of £360,000 (2013: £364,000). The audit committee have reviewed the level of stock loss incurred during the year together with the stock ageing and they are satisfied the level of stock provision is appropriate.

### 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 the balance sheet as the trust deeds do allow excess contributions eventually to be returned to the Group. The audit committee have considered the IAS19 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 34).

### Investment in J.E. Beale PLC and Denners LTD

As at 2 November 2013 Beale PLC held an investment in Denners LTD of £589,000 and net debt in J.E. Beale PLC of £15.7m.

The investment and long term receivables require a review for impairment to be performed.

Following a detailed assessment of the carrying value of the investment and loans during the year, the Directors have taken an investment and loan impairment of £13.4m (2013: £4.6m). £0.6m of investments and £12.8m of loans have been provided for. The auditor had detailed discussions with the Directors and audit committee challenging the assumptions used by the Board.

### Property provisions

During the audit it was brought to the audit committee's attention that previous financial statements had not complied with IAS 17, Leases in all regards. The Board requested the finance team to perform a complete review of all leases in place and calculate the impact to prior periods. The Board considered this adjustment to be material and have therefore restated the prior period. The financial impact of these adjustments is detailed in note 4.

### 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 2014 financial year, the primary risks were in relation to funding and going concern, impairment of goodwill, fixed assets and investments, valuation of the pension schemes, inventory management and provisioning, property considerations, accounting for concessions revenue and management override of controls.

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 various meetings this year the audit committee considered reports prepared by Deloitte in relation to the interim audit, the planning for the year end audit and the final audit.

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 7 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 the 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.

# Report of Audit Committee

## to Shareholders

continued

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. How the committee plans to tender the audit in 2015 will depend on the views of English Rose.

### 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. The Group did not have an internal auditor throughout the financial year. However, the process development manager and, since the 8 September 2014 her field auditor, did carry out an increasing amount of internal audit work which we believe to be reasonable for the business. The process development manager's role is to improve the integrity, accuracy and efficiency of all processes across the business concentrating on the stock system, cash, refunds and store reporting.

### William Tuffy

Chairman of the audit committee

26 February 2015



# Independent Auditor's Report

## 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 1 November 2014 and of the Group's loss for the 52 week 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 Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Comprehensive Income, the Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements and the related notes 1 to 36. 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 page 45 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 over the page 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.

# Independent Auditor's Report continued

Risk	How the scope of our audit responded to the risk
<p><b>Funding and going concern</b></p> <p><i>See also the Going Concern policy within the Notes to the financial statements, and the Audit Committee's Report on pages 28 to 30.</i></p> <p>The Group is reliant on an asset backed lending facility with Wells Fargo Capital Finance (UK) Limited formerly Burdale Financial Limited, up to a maximum of £12.0m, and is required to comply with a financial covenant throughout the year relating to the level of trading cash flow, 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.</p> <p>Compliance with these banking covenants at the balance sheet date and forecast compliance for future periods are integral to management's assessment of going concern. They also require consideration of the sensitivity of covenant compliance to changes in underlying trading performance and estimates of future cash flows based on management's view of future business prospects such as projected sales growth, margin growth, increases in expenses and working capital movements.</p> <p>In addition, the going concern assumption is dependent on the future intentions of the business by the new majority shareholder because as set out in note 36, the Group was subject to an offer by English Rose Enterprises Limited, which became unconditional on 20 February 2015.</p>	<ul style="list-style-type: none"> <li>• We assessed the judgments and assumptions applied by management in their going concern assessment and covenant compliance forecasts including examining current and forecast business trends and significant developments during and subsequent to the year end.</li> <li>• Our challenge of management's assumptions included performing a sensitivity analysis to determine the extent of change in those assumptions that, either individually or collectively, could give rise to a covenant breach and considered the likelihood of such a movement, or combination of movements, in those assumptions arising. In addition, we reviewed the current trading trends and incorporated further sensitivities on this basis.</li> <li>• We have obtained and reviewed management's cash flow assessment and considered the Group's ability to operate within the facility, with reference to the additional funding received post year end agreed as part of the Offer.</li> <li>• We have obtained and reviewed the extension to the facility to April 2016, negotiated post year end and considered the impact of this on the going concern assessment.</li> <li>• We have obtained and reviewed the public offer document issued by English Rose Enterprises Limited to assess the future intentions of the new majority shareholder in respect of the Group and considered the impact of this on the going concern assessment.</li> </ul>

Risk	How the scope of our audit responded to the risk
<p><b>Impairment of goodwill, fixed assets and investments</b>  <i>See also notes 13, 15 and 16 to the financial statements, critical accounting judgements and key sources of estimation uncertainty for Impairment of investments and stores' property, plant and equipment and goodwill and the Audit Committee's Report on pages 28 to 30.</i></p> <p>The Group's assessment of impairment of goodwill (carrying value at 1 November 2014 £892,000) and fixed assets (carrying value at 1 November 2014 £24,309,000) and the Company's assessment of impairment of investments (carrying value at 1 November 2014 £2,872,000) 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.</p>	<ul style="list-style-type: none"> <li>• We challenged the assumptions used by management in their annual impairment assessment by comparing the assumed growth rates and forecast cash flows against historic and current trends in the business.</li> <li>• In addition, valuation specialists within the audit team provided a challenge over the discount rate applied to these cash flows through the use of external data and benchmarking.</li> <li>• We checked the arithmetic accuracy of the impairment model 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.</li> <li>• We challenged the assumptions used in management's impairment of the investment in the subsidiary, and in particular the impairment made during the year, through consideration of the recent offer on the business, the current market capitalisation, long-term growth rates at a gross profit level and the expected increase in expenditure over the period.</li> </ul>
<p><b>Assumptions underpinning accounting for retirement benefits</b>  <i>See also note 34 to the financial statements, and the Audit Committee's Report on page 28 to 30.</i></p> <p>The defined benefit pension schemes operated by the Group have a combined surplus of £2.2m (2013: £0.8m) under IAS19, Employee Benefits. The determination of the value of the retirement benefit obligation requires significant judgment in the selection of key assumptions, including discount rates, price inflation, mortality, future pension increases and earnings growth and is highly sensitive to changes in these assumptions.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• We have considered the supportability of the recognition of the asset relating to the pension surplus with reference to the Group's ability to access such benefits under the trust deeds, the schedules of contributions and the criteria stipulated by IAS19 and IFRIC14.</li> </ul>

# Independent Auditor's Report continued

Risk	How the scope of our audit responded to the risk
<p><b>Inventory management and provisioning</b></p> <p><i>See also note 18 to the financial statements, the critical accounting judgements and key sources of estimation uncertainty for inventory valuation, the accounting policy for Inventories and the Audit Committee's Report on page 28 to 30.</i></p> <p>At 1 November 2014, inventories were recognised at £14,595,000, (2013: £15,254,000). The inventory management process is a significant area of focus for management. There are significant judgments involved in calculating the inventory provision, which totals £759,000 (2013: £948,000). The two main elements of the provision relate to stock losses and the assessment of net realisable value arising from stock ageing.</p> <p>The provisions are derived by management based on historic data, the relationship of the current selling price to the cost price of the inventory and recent trends in sales and discounts.</p>	<ul style="list-style-type: none"> <li>• We met with the Trading Director and Sales Manager to understand the current buying and selling strategies.</li> <li>• We performed inventory counts in a sample of stores, which were selected based on the store inventory portfolio across the Group, to assess the completeness and accuracy of gross stock and the stock losses recorded in the period from which the stock loss provision is derived.</li> <li>• We performed substantive testing on a sample of inventory items by comparing the cost price, derived from third party invoices, to the net realisable value, which was agreed to recent sale prices achieved.</li> <li>• We challenged the assumptions used by management in the calculation of the elements of the provision by comparing to actual stock losses arising during the period and by assessing stock which had not moved in the last 12 months as well as those items of stock being sold at less than cost price.</li> </ul>
<p><b>Accounting for leases and property provisions</b></p> <p><i>See also notes 4 and 24 to the financial statements, and the Audit Committee's Report on page 28 to 30.</i></p> <p>In recent periods the Group has negotiated significant amendments to store lease terms. One significant variation, which is considered material in the current year, is in relation to the Tonbridge lease, the detail of which is set out in note 6 to the financial statements. The lease provision, which includes rent incentives, landlord contributions and the spreading of fixed rent escalation clauses, as at 1 November 2014 is £6,422,000 (2013: £6,117,000). It is necessary for management to consider the accounting for these changes under IAS17, Leases and in particular in ensuring any incentives are spread over the appropriate period.</p> <p>A prior year adjustment has been made to recognise annual rent charges on a straight line basis over the lease term. The adjustment has reduced prior year retained earnings by £682,000 and increased the prior year loss by £133,000.</p>	<ul style="list-style-type: none"> <li>• We have reviewed a sample of original lease agreements and any subsequent amendments for the properties leased by the Group.</li> <li>• We have verified the mechanical accuracy of the lease creditor calculations required as a result of rent escalation clauses, with reference to the signed agreements.</li> <li>• We have recalculated the impact of the prior year adjustment with reference to the lease agreements and performed additional substantive testing on a sample of rental invoices over the current and prior periods and post year end to confirm both completeness and accuracy of the rents included in the calculation.</li> <li>• We have challenged the judgements made by management in accounting for lease incentives, particularly in relation to the length of the agreements and terms of the amendments, through a review of the signed agreements. We have reperformed management's calculations.</li> </ul>

In the prior year we included a risk around revenue recognition and in particular the accounting for concession income. In the current year, whilst we still consider this to be a significant risk, we do not consider it a risk that had the greatest effect on the audit strategy, the allocation of resources and directing the efforts of the engagement team. Accordingly we have not included this revenue risk in the table of risks above.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 28 to 30.



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 £500,000 (2013: £520,000), which, owing to the losses arising in the current and past periods, is based on consideration of a number of benchmarks. The selected materiality represents approximately 1% of total assets and 0.8% of Group revenue.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10,000 (2013: £10,000), 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**

Our Group audit was scoped by obtaining an understanding of the group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the group level.

Our audit was conducted at the Head Office of the Group. As in the prior year, 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 96% (2013: 97%) of the Group's net assets, 100% (2013: 100%) of the Group's revenue and 100% (2013: 100%) of the Group's loss before tax.

### **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.

# Independent Auditor's Report

continued

## 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 ten 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.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements 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.

**Darren Longley, FCA** (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Reading, United Kingdom

26 February 2015

# Consolidated Income Statement

For the 52 weeks ended 1 November 2014

	Notes	52 weeks to 1 November 2014 £000	Restated Note 4 52 weeks to 2 November 2013 £000
Gross sales*	3	116,215	120,526
<b>Revenue – continuing operations</b>	3	<b>63,766</b>	64,098
Cost of sales		(29,751)	(30,698)
<b>Gross profit</b>		<b>34,015</b>	33,400
Administrative expenses		(35,940)	(35,930)
Exceptional administrative expenses	6	(69)	(800)
Total administrative expenses		(36,009)	(36,730)
Operating loss before exceptional items	7	(1,925)	(2,530)
<b>Operating Loss – continuing operations</b>	7	<b>(1,994)</b>	(3,330)
Finance expense	9	(1,210)	(789)
Revaluation of embedded derivative	32	(1,407)	–
Finance income	10	–	1
<b>Loss on ordinary activities before taxation</b>		<b>(4,611)</b>	(4,118)
Taxation credit	11	420	112
<b>Loss for the period from continuing operations attributable to equity members of the parent</b>		<b>(4,191)</b>	(4,006)
<b>Basic loss per share</b>	12	<b>(20.4p)</b>	(19.5p)
<b>Diluted loss per share</b>	12	<b>(20.4p)</b>	(19.5p)

\* Gross sales include revenue from concession sales and VAT.

The notes on pages 44 to 83 form part of these financial statements.

# Consolidated Balance Sheet

As at 1 November 2014

		1 November 2014 £000	Restated Note 4 2 November 2013 £000	Restated Note 4 3 November 2012 £000
	Notes			
<b>Non-current assets</b>				
Goodwill	13	892	892	892
Property, plant and equipment	15	24,309	23,852	25,204
Financial assets	16	40	–	16
Derivative asset	32	–	1,407	1,416
Retirement benefit asset	34	2,234	789	–
		27,475	26,940	27,528
<b>Current assets</b>				
Inventories	18	14,595	15,254	15,816
Trade and other receivables due within one year	19	2,395	2,640	5,191
Trade and other receivables due after one year	19	–	9	104
Cash and cash equivalents		189	194	454
Restricted cash	14	–	1,000	–
		17,179	19,097	21,565
<b>Total assets</b>		<b>44,654</b>	<b>46,037</b>	<b>49,093</b>
<b>Current liabilities</b>				
Trade and other payables	21	(13,208)	(13,788)	(14,449)
Provisions	21	(118)	(100)	(271)
Lease provisions	24	(390)	(106)	(106)
Preference shares	22	–	–	(307)
Borrowings and overdraft	23	(1,896)	(1,816)	(255)
Tax liabilities		(35)	(35)	(35)
		(15,647)	(15,845)	(15,423)
<b>Net current assets</b>		<b>1,532</b>	<b>3,252</b>	<b>6,142</b>
<b>Non-current liabilities</b>				
Preference shares	22	(7,257)	(6,426)	(6,213)
Borrowings	23	(7,497)	(7,798)	(9,025)
Retirement benefit obligations		–	–	(1,171)
Lease provisions	24	(6,031)	(5,814)	(4,366)
Deferred tax	17	(2,455)	(2,610)	(3,066)
Obligations under finance leases	25	(975)	(977)	(978)
		(24,215)	(23,625)	(24,819)
<b>Total liabilities</b>		<b>(39,862)</b>	<b>(39,470)</b>	<b>(40,242)</b>
<b>Net assets</b>		<b>4,792</b>	<b>6,567</b>	<b>8,851</b>
<b>Equity</b>				
Share capital	27	1,026	1,026	1,026
Share premium account	29	440	440	440
Revaluation reserve	29	10,157	9,226	9,082
Capital redemption reserve	29	570	570	54
ESOP reserve	29	(10)	(8)	(15)
Retained earnings	29	(7,391)	(4,687)	(1,736)
<b>Total equity</b>		<b>4,792</b>	<b>6,567</b>	<b>8,851</b>

The notes on pages 44 to 83 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 26 February 2015 and signed on its behalf by:

**William Tuffy**  
Director

**Michael Hitchcock**  
Director



# Company Balance Sheet

As at 1 November 2014

	Notes	1 November 2014 £000	2 November 2013 £000
<b>Non-current assets</b>			
Property, plant and equipment	15	14,601	13,621
Financial assets	16	588	1,369
Derivative asset	32	–	1,407
Loan to subsidiary	20	–	9,000
		15,189	25,397
<b>Current assets</b>			
Trade and other receivables due within one year	19	3,670	7,509
Cash and cash equivalents		8	39
Restricted cash	14	–	1,000
		3,678	8,548
<b>Total assets</b>		18,867	33,945
<b>Current liabilities</b>			
Trade and other payables	21	(1,041)	(1,210)
Tax liabilities		(20)	(20)
		(1,061)	(1,230)
<b>Net current assets</b>		2,617	7,318
<b>Non-current liabilities</b>			
Preference shares	22	(7,257)	(6,426)
Borrowings	23	(6,872)	(6,923)
Deferred tax	17	(2,087)	(2,136)
Pension guarantee	26	(588)	(780)
Obligations under finance leases	25	(975)	(977)
		(17,779)	(17,242)
<b>Total liabilities</b>		(18,840)	(18,472)
<b>Net assets</b>		27	15,473
<b>Equity</b>			
Share capital	27	1,026	1,026
Share premium account	29	440	440
Revaluation reserve	29	8,266	7,430
Capital redemption reserve	29	570	570
Retained earnings	29	(10,275)	6,007
<b>Total equity</b>		27	15,473

The notes on pages 44 to 83 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 26 February 2015 and signed on its behalf by:

**William Tuffy**  
Director

**Michael Hitchcock**  
Director

# Consolidated Statement of Comprehensive Loss

	Notes	52 weeks to 1 November 2014 £000	Restated 52 weeks to 2 November 2013 £000
Actuarial gain on pension scheme	34	1,397	1,465
Revaluation reserve	15	1,303	–
Tax on revaluation reserve	17	(258)	258
Tax on items taken directly to equity	17	(26)	(1)
<b>Net income recognised directly in equity</b>		<b>2,416</b>	1,722
Loss for the period		(4,191)	(4,006)
<b>Total comprehensive loss for the period</b>		<b>(1,775)</b>	(2,284)

The notes on pages 44 to 83 form part of these financial statements.

# Consolidated Statement of Changes in Equity

	Notes	52 weeks to 1 November 2014 £000	Restated 52 weeks to 2 November 2013 £000
Opening equity as previously reported		6,567	9,533
Prior year adjustment	4	–	(682)
Revised opening equity		6,567	8,851
Total comprehensive loss for the period		(1,775)	(2,284)
<b>Total movements in equity for the period</b>		<b>(1,775)</b>	<b>(2,284)</b>
<b>Closing equity</b>		<b>4,792</b>	<b>6,567</b>

	Share capital £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	ESOP reserve £000	Retained earnings £000	Total £000
As previously reported	1,026	440	9,082	54	(15)	(1,054)	9,533
Impact to restatement (see Note 4)	–	–	–	–	–	(682)	(682)
Restated							
3 November 2012	1,026	440	9,082	54	(15)	(1,736)	8,851
Loss for year	–	–	–	–	–	(4,006)	(4,006)
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
Restated							
2 November 2013	1,026	440	9,226	570	(8)	(4,687)	6,567
Loss for year	–	–	–	–	–	(4,191)	(4,191)
Revaluation	–	–	1,303	–	–	–	1,303
Deferred tax change on revaluation reserve	–	–	(258)	–	–	–	(258)
Tax on comprehensive income	–	–	–	–	–	(26)	(26)
Transfer	–	–	(114)	–	–	114	–
Gain	–	–	–	–	(2)	2	–
Net actuarial gain	–	–	–	–	–	1,397	1,397
<b>1 November 2014</b>	<b>1,026</b>	<b>440</b>	<b>10,157</b>	<b>570</b>	<b>(10)</b>	<b>(7,391)</b>	<b>4,792</b>

The notes on pages 44 to 83 form part of these financial statements.

## Company Statement of Comprehensive Loss

	Notes	52 weeks to 1 November 2014 £000	Restated 52 weeks to 2 November 2013 £000
Revaluation reserve		1,170	–
Tax on revaluation reserve	17	(243)	226
Tax on items taken directly to equity	17	(25)	72
Net income recognised directly in equity		902	298
Loss for the period		(16,348)	(6,570)
<b>Total comprehensive loss for the period</b>		<b>(15,446)</b>	<b>(6,272)</b>

## Company Statement of Changes in Equity

	52 weeks to 1 November 2014 £000	Restated 52 weeks to 2 November 2013 £000
Opening equity	15,473	21,745
Total comprehensive loss for the period	(15,446)	(6,272)
<b>Total movements in equity for the period</b>	<b>(15,446)</b>	<b>(6,272)</b>
<b>Closing equity</b>	<b>27</b>	<b>15,473</b>

	Share capital £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
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
Loss for year	–	–	–	–	(16,348)	(16,348)
Revaluation	–	–	1,170	–	–	1,170
Deferred tax on revaluation reserve	–	–	(243)	–	–	(243)
Tax on comprehensive income	–	–	–	–	(25)	(25)
Transfer	–	–	(91)	–	91	–
<b>1 November 2014</b>	<b>1,026</b>	<b>440</b>	<b>8,266</b>	<b>570</b>	<b>(10,275)</b>	<b>27</b>

The notes on pages 44 to 83 form part of these financial statements.



# Consolidated Cash Flow Statement

For the 52 weeks ended 1 November 2014

	Notes	52 weeks to 1 November 2014 £000	Restated 52 weeks to 2 November 2013 £000
<b>Cash flows generated from operating activities before interest and tax</b>	30	<b>94</b>	1,927
Interest paid		(380)	(368)
Interest received		–	1
<b>Net cash flow (used in)/generated from operating activities</b>		<b>(286)</b>	1,560
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(456)	(675)
Purchase of investment		(40)	–
Proceeds from maturing investment		–	37
<b>Net cash used in investing activities</b>		<b>(496)</b>	(638)
<b>Cash flows from financing activities</b>			
Preference shares redeemed		–	(515)
Net expense from obligations under finance leases		(2)	(1)
Decrease in bank loans		(51)	(977)
Decrease in Panther/ARCS Loan		(250)	(125)
<b>Net cash used in financing activities</b>		<b>(303)</b>	(1,618)
<b>Net decrease in cash and cash equivalents in the period</b>		<b>(1,085)</b>	(696)
Cash and cash equivalents (including overdrafts and restricted cash) at beginning of period		(247)	449
Cash and cash equivalents (including overdrafts and restricted cash) at end of period		<b>(1,332)</b>	(247)

# Company Cash Flow Statement

For the 52 weeks ended 1 November 2014

	Notes	52 weeks to 1 November 2014 £000	Restated 52 weeks to 2 November 2013 £000
<b>Cash flows (used in)/generated from operating activities before interest and tax</b>	30	<b>(972)</b>	2,503
Interest paid		(296)	(305)
Interest received		290	339
<b>Net cash flow (used in)/generated from operating activities</b>		<b>(978)</b>	2,537
<b>Cash flows from financing activities</b>			
Preference shares redeemed		–	(515)
Net expense from obligations under finance leases		(2)	(1)
Increase in bank loans		(51)	(977)
<b>Net cash used in financing activities</b>		<b>(53)</b>	(1,493)
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>		<b>(1,031)</b>	1,044
Cash and cash equivalents at beginning of period		1,039	(5)
Cash and cash equivalents (including overdrafts) at end of period		<b>8</b>	1,039

The notes on pages 44 to 83 form part of these financial statements.

# Notes to the Financial Statements

## 1 Accounting policies

### General information

Beale PLC is a public Company incorporated in the United Kingdom under the Companies Act. 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:

### Adoption of new and revised standards

In the current year, the following new and revised standard and interpretations have been adopted:

- Amendments to IFRS10, IFRS12 and IAS27 Investment Entities
- Amendments to IAS36 Recoverable Amount Disclosures for Non-Financial Assets
- Amendment to IAS39 Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC21 Levies
- Amendments to IAS32 Offsetting Financial Assets and Financial Liabilities

None of the new or revised standards that have been adopted affected the amounts reported in the financial statements.

### Standards not affecting the reported results and financial position

At the date of authorisation of these financial statements the Group had not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS9	Financial Instruments
IFRS15	Revenue from Contracts with Customers
Amendments to IFRS11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS16 and IAS38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS16 and IAS41	Agriculture: Bearer Plants
Amendments to IAS27	Equity Method in Separate Financial Statements
Amendments to IFRS10 and IAS28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
2010-2012 Annual Improvements to IFRSs:	Amendments to: IFRS2 Share-based Payment, IFRS3 Business Combinations, IFRS8 Operating Statements, IFRS13 Fair Value Measurement, IAS16 Property, Plant and Equipment, IAS24 Related Party Disclosures and IAS38 Intangible Assets.
2011-2013 Annual Improvements to IFRSs:	Amendments to: IFRS1 First-time Adoption of International Financial Reporting Standards, IFRS3 Business Combinations, IFRS13 Fair Value Measurement and IAS40 Investment Property
2012-2014 Annual Improvements to IFRSs:	Amendments to: IFRS5 Non-current Assets Held for Sale and Discontinued Operations, IFRS7 Financial Instruments: Disclosures, IAS19 Employee Benefits and IAS34 Interim Financial Reporting

The Directors have not assessed whether the effect of the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods.

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.

## 1 Accounting policies continued

### Going concern

On 1 February 2013 the Group entered into a new three year 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 2015. The bank facility states that, for covenant levels beyond October 2015, the Lender, acting reasonably, will determine new trading cash flow covenant levels for the following financial year or remainder of the lending facility 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 periods 1 December 2013 to 31 January 2014 and 1 December 2014 to 31 January 2015 where the limit shall be £3.0m. Subsequent to the year ended 1 November 2014, executive management have secured an extension to the loan facility, on all existing terms, to 1 April 2016.

As noted in the Chief Executive's Statement on pages 11 to 13 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 14 to 17. In addition, note 32 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, interest rate risk, market risk and liquidity risk.

The Directors have prepared forecast information for the 2014/15 year and a three year corporate plan. Based on these forecasts, forward covenant tests to October 2015, 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 2015 and that the business can work within its available facilities. Since the year end, the Board has made further progress to create additional headroom to borrowing facilities in case of negative trading movements. This has been secured following the declared unconditional bid for the business and the capital injection that comes with that bid (see the Group Strategic Report for full details). 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 accounting policies adopted are consistent with those used in prior years, except as set out in note 4.

### Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings made up to the 52 weeks ended 1 November 2014 (*52 weeks ended 2 November 2013*), 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.

# Notes to the Financial Statements continued

## 1 Accounting policies continued

### Business combinations

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

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

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3(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 IAS12 Income Taxes and IAS19 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 IFRS2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS5 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.

### Exemption from Company profit and loss

The Company has taken the exemption under s408(3) of the Companies Act 2006 to publish a separate income statement for the parent Company. The loss for the year of the parent Company was £16.3m (2013: £6.6m).

## 1 Accounting policies continued

### Goodwill

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

### Impairment of tangible and intangible assets including investments, excluding goodwill

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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. 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. The Group presents items which the Directors believe to be exceptional in nature by virtue of their size or incidence as exceptional.



# Notes to the Financial Statements continued

## 1 Accounting policies continued

### 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 under IFRIC13 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.

### Lease incentives and contributions

Lease incentives, rent free periods, escalation clauses, 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.

## 1 Accounting policies continued

### 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 ageing. 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.

### 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 was cash held on deposit by HSBC as security. It was returned to the Group during the year ended 1 November 2014.

# Notes to the Financial Statements continued

## 1 Accounting policies continued

### 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 rate method, with interest expense recognised on an effective yield basis. The effective interest rate 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. At the present time, the Group is unable to assess with any reasonable certainty when Beale PLC will have sufficient distributable reserves available to make any redemption or pay dividends. Accordingly, under IAS39.9, the Group has used the contractual cashflows over the full contractual term of the financial instrument in arriving at the carrying value.

### Bank and other borrowings

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

### Trade payables

Trade payables are measured at fair value.

### Tax

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

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

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

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

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

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.

## 1 Accounting policies continued

### Retirement benefit costs

The Group operates 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. The Group accounts for retirement benefit costs in accordance with IAS19.

#### (a) Defined benefit plans

The pension scheme expenses in the reporting period are 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. IFRIC14 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 plans

The amount charged against profits in relation to the defined contribution plans represents contributions payable to the scheme for the accounting period.

### Provisions

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

### 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 28.

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.

# Notes to the Financial Statements continued

## 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 IAS19 'Employee Benefits'. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value.

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

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

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

Pension and other post-retirement benefits are inherently long term, and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post-retirement charges'. Note 34 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 IAS19. 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 1 November 2014, the Group's pension surplus was £2.2m (2013: £0.8m).

Further details of the retirement benefits are provided in note 34.

### 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 15.



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

### Derivative

The valuation of the embedded derivative is valued by a third party based on various assumptions including a rate at which the Company could borrow unsecured in the market place. The estimate is subject to market conditions which affect the valuation.

### Provisions and reserves

Provisions and reserves are 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. 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.

	<b>52 weeks to 1 November 2014 £000</b>	52 weeks to 2 November 2013 £000
Gross sales	<b>116,215</b>	120,526
VAT	<b>(19,179)</b>	(19,934)
Gross sales (exc. VAT)	<b>97,036</b>	100,592
Agency sales less commission	<b>(33,270)</b>	(36,494)
Revenue	<b>63,766</b>	64,098

Analysis of gross sales (excluding VAT) and revenue:

	<b>52 weeks to 1 November 2014 £000</b>		52 weeks to 2 November 2013 £000	
	<b>Gross Sales</b>	<b>Revenue</b>	Gross Sales	Revenue
	<b>£000</b>	<b>£000</b>	£000	£000
Own bought sales	<b>52,755</b>	<b>52,755</b>	51,407	51,407
Concession sales	<b>44,260</b>	<b>10,990</b>	49,083	12,589
Interest on customer accounts	<b>21</b>	<b>21</b>	102	102
	<b>97,036</b>	<b>63,766</b>	100,592	64,098

# Notes to the Financial Statements continued

## 4 Prior Year adjustment

The Group has property operating leases which include agreed annual rent charges across the lease term. IAS17 Leases states the operating lease expenses should be recognised straight line over the lease.

Prior to the current financial year the Group had not complied with this requirement. Consequently, as at the year end the Board have corrected this position by processing an adjustment to prior year opening reserves and profits. The adjustment to the Group reserves as at 3 November 2012 was £0.7m. The Group have also restated the loss for the period to 2 November 2013 from continuing operations attributable to equity members from £3.9m to £4.0m.

	Notes	52 weeks to 2 November 2013 £000	53 weeks to 3 November 2012 £000
Lease provisions (as previously stated)		(4,389)	(3,790)
Balance sheet reclassification from accruals and deferred income to lease provisions		(716)	–
		(5,105)	(3,790)
Restatement		(815)	(682)
		(5,920)	(4,472)
Within current liabilities		(106)	(106)
Within non-current liabilities		(5,814)	(4,366)
	24	(5,920)	(4,472)
Liabilities (as previously stated)		(38,655)	(39,560)
Restatement		(815)	(682)
Liabilities (restated)		(39,470)	(40,242)
Retained earnings (as previously reported)		(3,872)	(1,054)
Restatement		(815)	(682)
Retained earnings (restated)		(4,687)	(1,736)

## 5 Segmental information

The Board have reviewed the requirements of IFRS8 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.

## 6 Net Exceptional expense

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

	52 weeks to 1 November 2014 £000	52 weeks to 2 November 2013 £000
Exceptional income on Tonbridge	–	250
Fixed asset impairment	–	(582)
Refinancing and cost of move from premium to standard listing	(69)	(468)
Total net exceptional expense	(69)	(800)

The income on Tonbridge in the prior year related to 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 transaction is conditional on certain pre-conditions being satisfied in a six year period. Consequently the £1.0m is being written back to profit over a six year period from 25 April 2013.

## 6 Net Exceptional expense continued

In the financial statements for the year ended 2 November 2013 management considered that the £1.0m should be written back to profit over a 2 year period as the conditions for the surrender of the lease would materialise during the next two years, rather than the six years stated in the conditional agreement.

During the year ended 1 November 2014, the landlord of the property publicly acknowledged that they would not be seeking to redevelop the site which would trigger the surrender per the conditional agreement.

However, despite a surrender now being highly unlikely, as the conditional agreement is still in place, the unconditional receipt of £1.0m is being written back over the six year period from 25 April 2013, in line with accounting principles.

As a consequence of this change, no credit to the income statement arises in the current financial year.

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.

## 7 Operating loss

	52 weeks to 1 November 2014 £000	Restated 52 weeks to 2 November 2013 £000
Operating loss is arrived at after charging/(crediting) the following:		
Cost of inventories recognised as an expense	29,751	30,698
Depreciation of property, plant and equipment		
– owned assets	1,200	1,310
– finance lease	102	102
Exceptional item (note 6)	69	218
Fixed Asset Impairment (note 6)	–	582
Rentals chargeable under operating leases		
– property	5,409	5,626
– plant & equipment	189	207
Staff costs (note 8)	17,098	16,545
Fees payable to the Group's auditor for the audit of the Group's annual accounts		
– statutory audit	70	70
– audit-related regulatory reporting	9	7
	79	77
Fees payable to the Group's auditor and their associates for other services to the Group		
– transaction services	–	40
– tax compliance services	14	17
– tax advisory services	3	8
	17	65
Total auditor's remuneration	96	142

The total auditor's remuneration incurred by the Company was £13,000 (2013: £13,000) for audit work and £7,000 (2013: £49,250) for tax, transaction services and other work.

# Notes to the Financial Statements continued

## 8 Information regarding directors and employees

Details of Directors' emoluments and beneficial interests are provided within the Remuneration Report on pages 84 to 95.

	2014	2013
The average number of persons (including Directors) employed by the Group during the year was:		
Full time	506	488
Part time	976	890
	1,482	1,378
	52 weeks to 1 November 2014 £000	52 weeks to 2 November 2013 £000
Staff costs for the above:		
Wages and salaries	15,859	15,259
Social security costs	805	811
Pension costs – Current service cost (see note 34)	153	266
– Defined contribution (see note 34)	–	153
– GPP	243	29
– Other pension contribution	38	27
	17,098	16,545

## 9 Finance expense

	52 weeks to 1 November 2014 £000	52 weeks to 2 November 2013 £000
Interest payable on bank loans and overdrafts	(264)	(276)
ARCS loan interest payable	(50)	(59)
Finance charge on preference shares	(831)	(421)
Finance lease charges	(32)	(33)
Other interest payable	(33)	–
Total interest payable	(1,210)	(789)

Of the total expense, £0.9m (2013: £0.5m) are non-cash items.

## 10 Finance income

	52 weeks to 1 November 2014 £000	52 weeks to 2 November 2013 £000
Interest receivable on customers' accounts and bank interest	21	103
Less interest on customers' accounts included in revenue	(21)	(102)
Total interest receivable	–	1

## 11 Tax

	52 weeks to 1 November 2014 £000	52 weeks to 2 November 2013 £000
Current tax	–	–
Current year	–	–
Adjustment in respect of prior years	–	–
	–	–
Deferred tax (note 17)		
Current year	313	25
Adjustment in respect of prior years	107	87
	420	112
Taxation on loss for period	420	112

The tax credit for the period is different from the standard rate of corporation tax in the UK of 21.83% (2013: 23.00%). The differences are explained below:

	52 weeks to 1 November 2014 £000	Restated 52 weeks to 2 November 2013 £000
Loss on ordinary activities before tax	(4,611)	(4,118)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 21.83% (2013: 23.00%)	(1,006)	(947)
<b>Tax on loss on ordinary activities</b>		
effects of:		
Non taxable income		
Pension	(10)	(99)
Prior year deferred taxation	(95)	(87)
Non-qualifying depreciation	85	86
Other	(22)	124
Impact of deferred tax asset not recognised	628	811
Total tax credit	(420)	(112)



# Notes to the Financial Statements continued

## 11 Tax continued

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

	52 weeks to 1 November 2014 £000	52 weeks to 2 November 2013 £000
<b>Current tax</b>		
<b>Deferred tax:</b>		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of property	258	(7)
Rate change on revaluation reserve	–	(251)
Property – excluding revaluation	25	1
Rate change on property – excluding revaluation	–	(68)
Other	1	68
Total income tax recognised in other comprehensive income	284	(257)

The Finance Act 2013, which provides for a reduction in the main rate of corporation tax from 21% 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 1 November 2014 the Group had carried forward tax losses on which deferred tax was not recognised of £3,389,127 (2013: £3,210,185).

## 12 Loss per share

	52 weeks to 1 November 2014 £000	Restated 52 weeks to 2 November 2013 £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
Diluted weighted average number of shares in issue	20,524,797	20,753,109
	£000	£000
Loss for basic and diluted earnings per share	(4,191)	(4,006)
	Pence	Pence
Basic loss per share	(20.4)	(19.5)
Basic loss per share before exceptional item	(20.1)	(15.6)
Diluted loss per share	(20.4)	(19.5)

No dividend was paid (2013: nil per share).

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the impact of the share reward schemes would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of the International Financial Reporting Standard 33.

### 13 Goodwill

	£000
Carrying amount at 3 November 2012	892
Carrying amount at 2 November 2013	892
Carrying amount at 1 November 2014	892

The goodwill has arisen on the acquisition of the Kendal, Tonbridge, Worthing and Yeovil stores. 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:

	2014 £000	2013 £000
Kendal	74	74
Tonbridge	284	284
Worthing	364	364
Yeovil	170	170
	<b>892</b>	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 five years ended October 2019 at between 2.4% and 3.1% growth per annum for each of the department stores. A discount rate of 10% (2013: 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 1 November 2014, revenue forecasts for the five years ended October 2019, could reduce by 5% per annum before any impairment would be required.

### 14 Restricted cash

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Restricted cash	–	1,000	–	1,000

The restricted cash of £1.0m related to a cash deposit held by HSBC as security. The deposit became available to the Group when HSBC was satisfied that there was no outstanding debt. The restricted cash was returned to the Group in the year ended 1 November 2014.

# Notes to the Financial Statements continued

## 15 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
<b>Cost or valuation</b>					
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
Addition	–	–	–	456	456
Disposal	–	–	(15)	–	(15)
Revaluation	(120)	750	–	–	630
<b>At 1 November 2014</b>	<b>12,500</b>	<b>6,500</b>	<b>1,384</b>	<b>34,231</b>	<b>54,615</b>
<b>Accumulated depreciation and impairment</b>					
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
Depreciation	123	102	43	1,034	1,302
Disposal	–	–	(15)	–	(15)
Revaluation	(368)	(305)	–	–	(673)
<b>At 1 November 2014</b>	<b>–</b>	<b>–</b>	<b>980</b>	<b>29,326</b>	<b>30,306</b>
<b>Net book value at 1 November 2014</b>	<b>12,500</b>	<b>6,500</b>	<b>404</b>	<b>4,905</b>	<b>24,309</b>
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

Following an impairment review carried out by the Directors a charge of £nil (2013: £0.6m) 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. In carrying out the review for impairment stores were forecast out 5 years and sensitivities were applied across all key operating variables including the discount rate and growth rate.

The carrying amount of the Group's long leasehold of £6.5m (2013: £5.5m) is in respect of an asset held under a finance lease. Freeholds having a carrying amount of approximately £12.5m (2013: £12.4m) secure banking facilities granted to the Group and are charged to the Beales Pension Scheme.

## 15 Property, plant and equipment continued

Land, buildings and long leaseholds were revalued at 1 November 2014 by Colliers International UK PLC, chartered surveyors, on the basis of market value. The valuation conformed to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The future movement in the valuation is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and general economic conditions more challenging. If fixed assets had not been revalued, they would have been included at the following historical cost amounts:

Group	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
<b>Net book value</b>					
<b>1 November 2014</b>	<b>6,900</b>	<b>79</b>	<b>404</b>	<b>4,905</b>	<b>12,288</b>
2 November 2013	6,981	79	447	5,483	12,990
3 November 2012	7,061	81	495	6,562	14,199

Company	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
<b>Cost or valuation:</b>					
At 3 November 2012	8,250	5,750	3	851	14,854
At 2 November 2013	8,250	5,750	3	851	14,854
Revaluation	(150)	750	–	–	600
<b>At 1 November 2014</b>	<b>8,100</b>	<b>6,500</b>	<b>3</b>	<b>851</b>	<b>15,454</b>
<b>Accumulated depreciation and impairment:</b>					
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
Charge for year	88	102	–	–	190
Revaluation	(264)	(306)	–	–	(570)
<b>At 1 November 2014</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>851</b>	<b>853</b>
<b>Net book value at 1 November 2014</b>	<b>8,100</b>	<b>6,500</b>	<b>1</b>	<b>–</b>	<b>14,601</b>
Net book value at 2 November 2013	8,074	5,546	1	–	13,621
Net book value at 3 November 2012	8,162	5,648	1	–	13,811

The carrying amount of the Company's long leasehold of £6.5m (2013: £5.5m) is in respect of an asset held under a finance lease. Freeholds having a carrying amount of approximately £8.1m (2013: £8.1m) secure banking facilities granted to the Company and are charged to the Beales Pension Scheme.

# Notes to the Financial Statements continued

## 15 Property, plant and equipment continued

Land, buildings and long leaseholds, were revalued at 1 November 2014 by Collier International UK PLC, chartered surveyors, on the basis of market value. The valuation conformed to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The future movement in the valuation is susceptible to market conditions and hence increased uncertainty arises in periods where the market is less active and general economic conditions more challenging. If fixed assets had not been revalued, they would have been included at the following historical cost amounts:

Company	Freehold land & buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Fixtures, fittings, vehicles and equipment £000	Total £000
<b>Net book value</b>					
<b>1 November 2014</b>	<b>4,051</b>	<b>647</b>	<b>1</b>	<b>–</b>	<b>4,699</b>
2 November 2013	4,116	659	1	–	4,776
3 November 2012	4,179	671	1	–	4,851

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 2014 £000	2013 £000	Company 2014 £000	2013 £000
<b>Capital commitments</b>				
Capital expenditure contracted for but not provided for in the financial statements	–	54	–	–

## 16 Financial assets

	Group 2014 £000	2013 £000	Company 2014 £000	2013 £000
Shares in subsidiaries at cost:				
J.E. Beale PLC	–	–	–	–
Denners Limited	–	–	–	589
Pension guarantee asset (see note 26)	–	–	588	780
Available for sale:				
Unlisted investment	40	–	–	–
	40	–	588	1,369
Embedded derivative	–	1,407	–	1,407
	40	1,407	588	2,776

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 5 years and 10 months (2013: 10 years and 7 months).



## 16 Financial assets continued

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. The Directors have reviewed the carrying value of the investment in Denners Limited and impaired the balance of the investment by £0.6m (2013: £4.6m). Furthermore, the Directors have set up a provision of £12.8m against loans from Beale PLC to J.E. Beale PLC.

An embedded derivative of £Nil (2013: £1.41m) is shown in relation to the prepayment option arising on the 7,983,953 preference shares (note 32). The valuation of the embedded derivative is inherently complex and judgmental. The Directors have re-assessed the key inputs into the valuation model and have assessed that based on these assumptions that the embedded derivative no longer has any value.

The unlisted investment relates to shares in Nisa Retail Limited.

At 1 November 2014 and 2 November 2013, the Company held, directly, the whole of the issued ordinary share capital in J.E. Beale PLC, Denners Limited and Beales Staff Share Schemes Trustees Limited all of which are incorporated in England and Wales. Denners Limited and Beales Staff Share Schemes Trustees Limited are dormant.

At 1 November 2014 and 2 November 2013 the Company held, either directly or indirectly, the whole of the issued ordinary share capital in the following dormant subsidiary companies which are incorporated in England and Wales. These dormant subsidiary companies have taken advantage of the s394A exemption from preparing individual accounts.

J.E. Beale (Stores) Limited	00219469
John Elmes Beale Trust Company Limited	01332269
Grant-Warden Limited	00300642
IMS Finance Limited	00290106
Denners Limited	00368911
Beales Staff Share Schemes Trustees Limited	03002174

## 17 Deferred tax

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

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Deferred tax liabilities	(2,455)	(2,610)	(2,087)	(2,136)

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

Group	Pension Scheme	Rolled over gains	Accelerated tax depreciation	Revaluation gains	Property	Other	Total
Deferred tax liabilities	£000	£000	£000	£000	£000	£000	£000
As at 2 November 2013	(158)	(213)	(143)	(1,637)	(589)	130	(2,610)
Credit to operating expense	–	–	–	–	19	–	19
Credit to income	(289)	–	94	30	15	570	420
Charge to equity	–	–	–	(258)	(25)	(1)	(284)
<b>As at 1 November 2014</b>	<b>(447)</b>	<b>(213)</b>	<b>(49)</b>	<b>(1,865)</b>	<b>(580)</b>	<b>699</b>	<b>(2,455)</b>

# Notes to the Financial Statements continued

## 17 Deferred tax continued

Company Deferred tax liabilities	Accelerated tax depreciation £000	Revaluation gains £000	Property £000	Other £000	Total £000
As at 2 November 2013	1	(1,417)	(439)	(281)	(2,136)
Credit to income	–	23	13	281	317
Charge to equity	–	(243)	(25)	–	(268)
<b>As at 1 November 2014</b>	<b>1</b>	<b>(1,637)</b>	<b>(451)</b>	<b>–</b>	<b>(2,087)</b>

Other contains recognised losses of £699,000, short term timing differences of (£21,023) and £21,000 related to store acquisitions. As at 1 November 2014 the Group had carried forward tax losses on which deferred tax was not recognised of £3,389,127 (2013: £3,210,185).

## 18 Inventories

	Group 2014 £000	2013 £000	Company 2014 £000	2013 £000
Finished goods for resale	14,595	15,254	–	–

Finished goods for resale are stated after deducting a stock ageing and loss provision of £759,000 (2013: £948,000). All finished goods for resale are disclosed at the lower of cost and net realisable value. The provision required is £189,000 (2013: £263,000) less than that required in the previous year.

## 19 Trade and other receivables

	Group 2014 £000	2013 £000	Company 2014 £000	2013 £000
<b>Amounts due within one year</b>				
Trade receivables	47	376	–	–
Allowance for doubtful debts	(24)	(72)	–	–
	23	304	–	–
Amounts owed by subsidiary undertakings	–	–	3,661	7,500
Prepayments and accrued income	2,372	2,336	9	9
	2,395	2,640	3,670	7,509
<b>Amounts due after one year</b>				
Trade receivables	–	9	–	–
Amounts owed by subsidiary undertakings	–	–	–	–
	–	9	–	–
Total receivables	2,395	2,649	3,670	7,509

Following a detailed assessment of the carrying value of the Beale PLC £7.5m loan to J.E. Beale PLC during the year the Directors have provided for £3.8m against the loan.

### 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 £5,000 (2013: £32,000 written off) of bad debts were written back.

**19 Trade and other receivables** continued

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). The Group closed its in house credit business on 17 November 2012. However, we continue to issue statements to customers on a monthly basis as part of this collection process. In the 2013/2014 year we have allowed customers who have not paid off their accounts to carry on making repayments on the terms outlined above and the ageing of balances below has been determined on that basis.

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

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>£000</b>	£000	<b>£000</b>	£000
30 - 90 days	<b>4</b>	13	–	–
90+ days	<b>15</b>	–	–	–
	<b>19</b>	13	–	–

**Movement in allowance for doubtful debts**

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at beginning of period	<b>72</b>	72	–	–
Additional provision made	–	58	–	–
Amount recovered during the year	<b>(22)</b>	(26)	–	–
Impairment losses recognised	<b>(16)</b>	(32)	–	–
Decrease in provision	<b>(10)</b>	–	–	–
Balance at end of period	<b>24</b>	72	–	–

**Ageing of the total balance of impaired receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>£000</b>	£000	<b>£000</b>	£000
Less than 60 days	–	18	–	–
60 - 90 days	–	10	–	–
90 -120 days	–	4	–	–
120+ days	<b>24</b>	40	–	–
	<b>24</b>	72	–	–

**20 Loan to subsidiary**

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>£000</b>	£000	<b>£000</b>	£000
Loan to subsidiary	–	–	–	9,000

Following a detailed assessment of the carrying value of the loan during the year, the Directors concluded it was appropriate to provide for the £9.0m.

# Notes to the Financial Statements continued

## 21 Trade and other payables

	Group 2014 £000	2013 £000	Company 2014 £000	2013 £000
<b>a) Amounts falling due within one year</b>				
Trade payables	8,338	8,698	40	29
Amount owed to subsidiaries	–	–	789	816
Other taxation and social security	1,232	1,178	–	–
Accruals and deferred income	3,638	3,912	212	365
	13,208	13,788	1,041	1,210

	Group 2014 £000	2013 £000	Company 2014 £000	2013 £000
<b>b) Provision</b>				
Dilapidation provision	118	100	–	–
Current provision	118	100	–	–
Non current provision	–	–	–	–
	118	100	–	–

	Carrying amount 2 November 2013 £000	Amount used/ charged to the provision in year £000	Unused amounts reversed during period £000	Carrying amount of provision as at 1 November 2014 £000
Dilapidations	100	18	–	118
	100	18	–	118

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

The £118,000 (2013: £100,000) dilapidation provision represents the Directors' estimate of the future outflow in relation to dilapidations.

## 22 Preference shares

	Group 2014 £000	2013 £000	Company 2014 £000	2013 £000
Redeemable after one year	7,257	6,426	7,257	6,426
Preference shares	7,257	6,426	7,257	6,426

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 Central England Cooperative. 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.

## 22 Preference shares continued

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

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

After the third anniversary of completion, the preference shares were freely transferable to a maximum of five transferees in multiples of at least £500,000. £7m of the preference shares have now been transferred to Panther Securities PLC.

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.

Should the Group 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. Following the closure of stores in 2012/13 the Group redeemed 306,612 £1 preference shares on 7 December 2012 and 209,435 £1 preference shares on 30 September 2013.

The Company is required to redeem any such shares that have not been converted half-yearly in two equal instalments of £500,000 payable on 30 November and 31 May in each relevant financial year, the first such redemption to be made on 31 May 2017 will be reduced to the extent of any early redemptions following store closures.

Subject to having sufficient distributable reserves, the Company has the option to redeem, at nominal value, any of the preference shares at any time. This redemption option gave rise to an embedded derivative asset which is recognised at fair value on the balance sheet. See note 32.

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.

Following the impairment of the investment in J.E. Beale PLC, Beale PLC has insufficient distributable reserves to make any future redemptions or pay dividends. Owing to the uncertainty as to when the Group may have sufficient distributable reserves to redeem the preference shares or pay the dividends, in accordance with IAS 39.9, the Group has used the original contractual cashflows over the full contractual term of the financial instrument in arriving at the carrying value. On this basis the amortised cost at the period end was £7.28m (2013: £6.43m). The effective interest rate being 7.58%.

Following the closure of the Harrogate and Keighley Home stores Beale PLC was due to redeem 387,377 £1 preference shares. However as Beale PLC does not have distributable reserves legally the Company is unable to redeem the preference shares.

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

The preference shares are treated as a liability in the financial statements due to their terms and conditions, including the fact that because the number and value of shares at such a conversion is not fixed in advance.

# Notes to the Financial Statements continued

## 23 Borrowings

	Group 2014 £000	2013 £000	Company 2014 £000	2013 £000
<b>Borrowings</b>				
Panther loan	1,000	1,250	–	–
Bank overdrafts	1,521	1,441	–	–
Bank loans	6,872	6,923	6,872	6,923
	9,393	9,614	6,872	6,923
The borrowings are repayable as follows:				
On demand or within one year	1,896	1,816	–	–
In the second year	7,122	250	6,872	–
In the third to the fifth year	375	7,548	–	6,923
Total	9,393	9,614	6,872	6,923
Less amount due for settlement within 12 months	(1,896)	(1,816)	–	–
Amount due for settlement after 12 months	7,497	7,798	6,872	6,923

### Group bank borrowings

- a) 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 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 2015. The bank facility states that, for covenant levels beyond October 2015, 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 periods 1 December 2013 to 31 January 2014 and 1 December 2014 to 31 January 2015 where the limit shall be £3.0m. 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) As at 1 November 2014 the Group had drawn down £6.9m (2013: £6.9m) under its loan facilities. The £6.9m borrowing as at 1 November 2014 consisted of a Burdale loan borrowing of £8.5m (2013: £8.5m) less £1.6m (2013: £1.6m) of receipts which will be credited to the loan after 1 November 2014 (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 1 November 2014 the Group had available £2.3m (2013: £2.2m) of undrawn committed borrowing facilities, including credit balances, in respect of which all conditions precedent had been met. If we exclude the overdraft contra the undrawn committed borrowing facilities are £595,000 (2013: £624,000).

### Panther/Central England Cooperative (CEC) term loan agreement

Under the terms of the Term Loan Agreement with CEC, a loan facility of £2.5m was provided to JE Beale PLC and was fully drawn down by it on Completion of the CEC transaction on 22 May 2011.

As part of the Group refinancing in June 2012 CEC agreed to waive £500,000 of the loan and reduced the 6 monthly instalments to £125,000. On 30 April 2013 parties related to Panther Securities PLC; Harold Perloff and the Maland Pension Fund acquired the loan from CEC.



## 23 Borrowings continued

Interest will be charged quarterly in arrears with effect from completion at the rate of 4 percent per annum over the applicable LIBOR rate increasing to 6 percent per annum over LIBOR in the event of a default that is not remedied within 12 months. The Directors view 4 percent over LIBOR as being market rate, based on the terms of this loan. The average effective rate of interest on the Panther loan during the year was approximately 4.53% (2013: 4.51%) per annum.

## 24 Lease provisions

	Group		Company	
	2014	Restated 2013	2014	2013
	£000	£000	£000	£000
Current liabilities	390	106	–	–
Non-current liabilities	6,031	5,814	–	–
	6,421	5,920	–	–

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. Furthermore the lease provisions have been adjusted by a prior year adjustment (see note 4) in relation to leases which had agreed annual rent increases in the lease. IAS17 Leases states operating lease expenses should be recognised straight line over the lease.

## 25 Obligations under finance leases

	Minimum lease payments	Interest	Present value of minimum lease payments
Group and Company	2014	2014	2014
Amounts payable under finance lease	£000	£000	£000
Due within one year	34	(32)	2
In the second to fifth year inclusive	136	(120)	16
After five years	1,671	(714)	957
	1,841	(866)	975

	Minimum lease payments	Interest	Present value of minimum lease payments
	2013	2013	2013
Amounts payable under finance lease	£000	£000	£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

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.

# Notes to the Financial Statements continued

## 26 Pension scheme guarantee

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pension scheme guarantee	–	–	588	780

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 is being amortised over 5 years and 10 months (2013: 10 years and 7 months) as the deficit recovery period extends to 30 November 2018 (2013: 31 August 2023).

## 27 Share capital

	<b>2014</b>		<b>2013</b>	
	<b>Number</b>	<b>£000</b>	<b>Number</b>	<b>£000</b>
Issued allotted and fully paid				
Ordinary shares of 5p each	20,524,797	1,026	20,524,797	1,026

## 28 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 IFRS2, 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 percent of an award to vest for EPS in the 2013/14 financial year of 4.25 pence, increasing pro-rata to 100 percent vesting of an award for EPS in the 2013/14 financial year of 9.25 pence. These performance conditions were not achieved in the year ended 1 November 2014. On change of control, awards vest on a pro-rata basis subject to achievement of performance conditions.

The table below summarises information about outstanding awards:	<b>2014</b>
Outstanding Awards at 2 November 2013	228,312
Expired during the period	(198,312)
Forfeited during the period	(30,000)
<b>Outstanding Awards at 1 November 2014</b>	<b>–</b>

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.

## 28 Performance share plan continued

The weighted average fair value of awards granted during the year ended 1 November 2014 was nil pence per award (2013: *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 the achievement of performance conditions. The share-based payments charge in the year ended 1 November 2014 amounted to £nil (2013: *£nil*). Given the performance conditions set for the year ended 1 November 2014 were not achieved all outstanding awards had either lapsed or been forfeited by 1 November 2014.

## 29 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 1 November 2014.

### 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 £16.3m (2013: *£6.57m loss*).

### ESOP reserve

The number and market value of ordinary 5p shares held by the Employee Share Trust at 1 November 2014 was 76,752 (2013: 76,752) and £10,170 (2013: *£7,675*) respectively.

# Notes to the Financial Statements continued

## 30 Reconciliation of operating loss to net cash flow from operating activities

	Group		Company	
	52 weeks to 1 November 2014 £000	Restated 52 weeks to 2 November 2013 £000	52 weeks to 1 November 2014 £000	52 weeks to 2 November 2013 £000
Operating loss	(1,994)	(3,330)	(14,423)	(6,219)
Adjustments for:				
Cash disbursements of pension obligations (net of charge included within the income statement)	(48)	(495)	–	–
Loss on disposal	–	33	–	–
Fixed asset impairment	–	582	–	–
Investment impairment	–	–	589	4,600
Profit on disposal of investment	–	(21)	–	–
Depreciation	1,302	1,412	190	190
Decrease in inventories	659	562	–	–
Decrease in trade and other receivables	254	2,646	–	4
Decrease in inter company debts	–	–	12,813	3,789
(Decrease)/increase in trade and other payables	(79)	538	(141)	139
<b>Cash generated from/(utilised in) operations</b>	<b>94</b>	<b>1,927</b>	<b>(972)</b>	<b>2,503</b>

## 31 Analysis of net debt

Group	2 November 2013 £000	Cash flow £000	Non Cash Item £000	1 November 2014 £000
Cash at bank and in hand	194	(5)	–	189
Restricted cash	1,000	(1,000)	–	–
Overdraft	(1,441)	(80)	–	(1,521)
	(247)	(1,085)	–	(1,332)
Debt due within one year	(375)	–	–	(375)
Debt due after one year**	(14,224)	301	(831)	(14,754)
	(14,846)	(784)	(831)	(16,461)
Finance lease*	(977)	2	–	(975)

Company	2 November 2013 £000	Cash flow £000	Non Cash Item £000	1 November 2014 £000
Cash at bank and in hand	39	(31)	–	8
Restricted cash	1,000	(1,000)	–	–
	1,039	(1,031)	–	8
Debt due within one year	–	–	–	–
Debt due after one year**	(13,349)	51	(831)	(14,129)
	(12,310)	(980)	(831)	(14,121)
Finance lease*	(977)	2	–	(975)

\* Finance lease relates to the long leasehold.

\*\* Includes preference share non cash movement.

## 32 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 £51,000 of the bank loan facility, the Panther loan was reduced by £250,000.

The capital structure of the Group consists of debt, which includes borrowing disclosed in note 23, 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. Subsequent to the year ended 1 November 2014 the loan was extended to 1 April 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	
	2014	Restated 2013	2014	2013
	£000	£000	£000	£000
Overdrafts (note 23)	1,521	1,441	–	–
Preference shares (note 22)	7,257	6,426	7,257	6,426
Debt (note 23)	7,872	8,173	6,872	6,923
Restricted cash (note 14)	–	(1,000)	–	(1,000)
Cash and cash equivalents	(189)	(194)	(8)	(39)
Net debt	16,461	14,846	14,121	12,310
Equity	4,792	6,567	1,455	15,473
Net debt to equity ratio	343.51%	226.07%	970.52%	79.56%

	Group		Company	
	2014	Restated 2013	2014	2013
	£000	£000	£000	£000
<b>Categories of financial instruments</b>				
<b>Financial assets</b>				
Loans and receivables	2,395	2,649	3,670	16,509
Cash and bank balances	189	194	8	39
Embedded derivative	–	1,407	–	1,407
Restricted cash	–	1,000	–	1,000
Held-to-maturity investments	40	–	–	–
Pension guarantee	–	–	588	780
	2,624	5,250	4,266	19,735
<b>Financial liabilities</b>				
Preference shares (amortised cost)	(7,257)	(6,426)	(7,257)	(6,426)
Pension guarantee	–	–	(588)	(780)
Bank and other loans	(7,872)	(8,173)	(6,872)	(6,923)
Overdrafts	(1,521)	(1,441)	–	–
Trade and other payables	(14,042)	(14,604)	(1,041)	(1,210)
	(30,692)	(30,644)	(15,758)	(15,339)

# Notes to the Financial Statements continued

## 32 Financial instruments and risk management continued

### 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 £7,257,000 (2013: £6,426,000) as at 1 November 2014. The effective interest rate arising on the preference share liability is 7.58%. Following the impairment of the investment in J.E. Beale PLC, Beale PLC has insufficient distributable reserves to make any redemption or pay dividends. Accordingly the Board use the contractual cashflows over the full contractual term of the financial instrument to derive the carrying value of the preference shares.

### 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 (2013: 7,983,953) preference shares, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

No dividend accrues on the preference shares until five years from the date of issue. Thereafter a preferential dividend of 8 percent per annum will be payable on each of the preference shares for 4 years, increasing to 9 percent 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 8,500,000 preference shares was valued at inception to be £1,078,000. As at 2 November 2013 the derivative was valued at £1,407,000.

The valuation of the embedded derivative is inherently complex and judgmental. The Directors have re-assessed the key inputs into the valuation model as at 1 November 2014 and have assessed that based on these assumptions that the embedded derivative no longer has any value. Accordingly, a charge of £1,407,000 has been reflected in finance expenses to reflect this reduction in value.

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>£000</b>	£000	<b>£000</b>	£000
Embedded derivative	–	1,407	–	1,407

### 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. As the derivative has no value there is no disclosure for year end 1 November 2014.

	<b>1% decrease in interest rate £000</b>	<b>1% increase in interest rate £000</b>
Impact on income statement gain/(loss) 52 weeks ended 1 November 2014	–	–
Impact on income statement gain/(loss) 52 weeks ended 2 November 2013	133	(146)



## 32 Financial instruments and risk management continued

### 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.

### 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 1 November 2014 would increase by £98,000 (2013: £231,000).
- If interest rates had been 1% lower and all other variables were constant, the Group's loss for the year ended 1 November 2014 would decrease by £98,000 (2013: £218,000).

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.

# Notes to the Financial Statements continued

## 32 Financial instruments and risk management continued

### 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 £2.2m (2013: £2.2m) of undrawn committed borrowing facilities, this figure decreased to £595,000 if you exclude the £1.6m 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.

Group 1 November 2014	Average Interest rate	Less than 1 month £000	1-3 months £000	3 months to 1 year £000	1-5 years £000	More than 5 years £000	Total £000
Preference shares	7.58%	–	–	–	4,769	6,959	11,728
Bank loan	3.29%	19	38	169	6,928	–	7,154
Panther loan	4.53%	–	136	277	668	–	1,081
Finance lease (note 25)	8.5%	–	–	34	136	1,671	1,841
Bank overdraft	N/A	1,521	–	–	–	–	1,521
		1,540	174	480	12,501	8,630	23,325
<b>Group</b>							
2 November 2013							
Preference shares	7.11%	–	–	–	2,566	8,085	10,651
Bank loan	3.26%	19	38	169	7,205	–	7,431
Panther loan	4.51%	–	131	293	954	–	1,378
Finance lease (note 25)	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
<b>Company</b>							
1 November 2014							
Preference shares	7.58%	–	–	–	4,769	6,959	11,728
Bank loan	3.29%	19	38	169	6,928	–	7,154
Finance lease (note 25)	8.5%	–	–	34	136	1,671	1,841
		19	38	203	11,833	8,630	20,723
<b>Company</b>							
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 25)	8.5%	–	–	34	136	1,705	1,875
		19	38	203	9,907	9,790	19,957

### 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).

**32 Financial instruments and risk management** continued

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>1 November 2014</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial assets at FVTPL</b>				
Derivative financial assets	–	–	–	–
Non-derivative financial assets held for trading	–	–	2,624	2,624
	–	–	2,624	2,624
<b>Financial liabilities at FVTPL</b>				
Preference shares	–	7,257	–	7,257
Financial liabilities designated at FVTPL	–	–	23,435	23,435
	–	7,257	23,435	30,692
<b>Group</b>				
2 November 2013				
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
<b>Company</b>				
<b>1 November 2014</b>				
<b>Financial assets at FVTPL</b>				
Derivative financial assets	–	–	–	–
Non-derivative financial assets held for trading	–	–	4,266	4,266
	–	–	4,266	4,266
<b>Financial liabilities at FVTPL</b>				
Preference shares	–	7,257	–	7,257
Non-derivative financial assets held for trading	–	–	8,501	8,501
	–	7,257	8,501	15,758
<b>Company</b>				
2 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

# Notes to the Financial Statements continued

## 33 Commitments under operating leases

Group	2014		2013	
	Land & buildings £000	Other £000	Land & buildings £000	Other £000
At 1 November 2014 the Group had total commitments under non-cancellable operating leases as follows:				
Within one year	5,110	152	5,329	183
Between two and five years	23,380	109	23,255	262
More than five years	39,022	–	42,943	–
	<b>67,512</b>	<b>261</b>	<b>71,527</b>	<b>445</b>

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. The following leases have fixed escalation clauses in them: Abingdon, Bishop Auckland, Diss, Hexham, Horsham, Keighley, Southport, Spalding, St Neots, Winchester, Yeovil and Granville Chambers.

### Company

The Company had no commitments under non-cancellable operating leases at 1 November 2014 and 2 November 2013.

## 34 Pensions

### Defined Contribution plans

The defined contribution section of the Beales pension scheme was closed to accrual on 31 August 2013.

Group contributions to this section in 2014 totalled £nil (2013: £153,000).

From 1 September 2013, the Group has operated a Group Personal Pension plan which was set up with Scottish Widows and the People's Pension. Group contributions to this plan in 2014 totalled £243,000 (2013: £29,000).

Group contributions to defined contribution plans for Directors are set out in the annual report on remuneration.

### Defined Benefit plans

The Group operates two funded defined benefit pension plans for current and former employees, the Beales Pension Scheme and the Denners Pension Scheme. The assets of the plans are held in separate trustee administered funds and are independent of the Group's finances.

The defined benefit plans expose the Group to a number of risks, such as longevity, investment risk, interest rate risk and inflation risk.

The Group contributes to the plans in accordance with the rules of the plans and the recommendations of independent actuarial advisers.

The estimated amount of contributions expected to be paid to the Beales and Denners plans during 2014/15 in respect of final salary benefits is £375,003 (2013: £500,000). As at 1 November 2014 there is a contribution creditor within the defined benefit plans of £nil (2013: £41,667).

The pension information below is a combination of both the Beales pension scheme and the Denners pension scheme due to the similarity in the profile of the two schemes. As at 1 November 2014 the Beales pension scheme had a surplus of £1,577,000 (2013: £139,000) and the Denners pension scheme had a surplus of £657,000 (2013: £650,000). 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.

### 34 Pensions continued

#### Beales Pension Scheme

The defined benefit section of the Beales Pension Scheme was closed to new entrants on 6 April 1997 and was closed to further accrual on 30 April 2009.

The scheme provides pension benefits based on final salary at retirement (or leaving).

The most recent triennial valuation of the Beales pension scheme for funding purposes was performed as at 2 November 2013 and showed a funding deficit of £5.2m. Under the funding schedule agreed with the scheme trustees, the Group aimed to eliminate the deficit at that date by November 2018. The June 2012 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 October 2016. The Group considers that the contribution rates agreed with the trustees are sufficient to eliminate the current deficit over the agreed period.

#### Denners Pension Scheme

The Denners Pension Scheme was closed to accrual of benefits on 30 June 1999.

The most recent triennial valuation of the Denners Pension Scheme for funding purposes was performed as at 29 October 2011. At that date, 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 due as at 1st November 2014.

The results of the last formal actuarial valuations of the defined benefit plans were updated to the accounting date by an independent qualified actuary in accordance with IAS19. As required by IAS19, the value of the defined benefit obligation and current service cost has been measured using the Projected Unit Credit Method.

#### Principal actuarial assumptions

The principal assumptions based on advice from, and used by, the independent qualified actuaries in updating the latest valuations of the schemes for IAS19 purposes were:

	2014	2013	2012
Retail price inflation	3.10%	3.30%	2.60%
Consumer price index	2.10%	2.30%	1.90%
Discount rate	4.05%	4.30%	4.35%
Pension increases (fixed 5%)	5.00%	5.00%	5.00%
Pension increases (LPI)	2.90%	3.10%	2.40%
General salary increases	2.10%	2.30%	1.90%
Life expectancy of male/female pensioner aged 65	23.1/24.9	22.2/25.0	22.2/25.0
Life expectancy of male/female member from the age of 65 currently aged 50	24.3/26.3	23.0/25.8	23.0/25.8

	2014 £000	2013 £000
<b>Defined benefit cost recognised in P&amp;L</b>		
Interest expense	1,887	1,847
Interest income on plan assets	(1,921)	(2,108)
Total net interest cost	(34)	(261)
Administrative expenses	153	266
Total of defined benefit costs included in P&L	119	5

# Notes to the Financial Statements continued

## 34 Pensions continued

	2014 £000	2013 £000
<b>Re-measurements recognised in other comprehensive income</b>		
Effect of changes in demographic assumptions	(1,084)	–
Effect of changes in financial assumptions	1,176	1,499
Effect of experience adjustments	(200)	–
Return on plan assets	(1,289)	(2,964)
Total included in statement of comprehensive loss	(1,397)	(1,465)
Total defined benefit cost recognised in P&L and statement of comprehensive loss	(1,278)	(1,460)
	2014 £000	2013 £000
<b>Movements in present value of defined benefit obligations were as follows:</b>		
Opening defined benefit obligations	44,798	43,516
Interest cost	1,887	1,847
Effect of change in demographic assumptions	(1,084)	–
Effect of change in financial assumptions	1,176	1,499
Effect of change in experience adjustments	(200)	–
Benefits paid	(1,839)	(2,064)
Closing defined benefit obligations	44,738	44,798
	2014 £000	2013 £000
<b>Movements in the fair value of scheme assets were as follows:</b>		
Opening fair value of plan assets	45,587	42,345
Interest Income	1,921	2,108
Return on plan assets	1,289	2,964
Administrative expenses	(153)	(266)
Contributions by the employer	167	500
Benefits paid	(1,839)	(2,064)
Closing fair value of plan assets	46,972	45,587

There is no asset-liability matching strategy in place for the defined benefit schemes. However 68% of their funds are invested in bonds and gilts.



## 34 Pensions continued

	2014 £000	2013 £000
<b>Combined Schemes</b>		
Present value of defined benefit obligations	44,738	44,798
Fair value of plan assets	(46,972)	(45,587)
Surplus	(2,234)	(789)
Deferred tax	447	158
Net surplus	(1,787)	(631)
<b>Beales Pension Scheme</b>		
Present value of defined benefit obligations	42,482	42,647
Fair value of plan assets	(44,059)	(42,786)
Surplus	(1,577)	(139)
Deferred tax	316	28
Net surplus	(1,261)	(111)
<b>Denners Pension Scheme</b>		
Present value of defined benefit obligations	2,256	2,151
Fair value of plan assets	(2,913)	(2,801)
Surplus	(657)	(650)
Deferred tax	131	130
Net surplus	(526)	(520)

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

	Fair value of assets		
	2014 £000	2013 £000	2012 £000
Equity instruments	13,708	14,757	15,815
Bonds	22,441	20,725	17,595
Gilts	9,434	8,578	7,399
Other	29	121	107
Property	150	150	150
Annuities	1,210	1,256	1,279
Total	46,972	45,587	42,345

The equity instruments, bonds and gilts all have a quoted price in an active market. Property, annuities and other do not have a quoted price in an active market.

**Scheme assets**

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

Asset category	2014	2013	2012
Equities	29%	32%	38%
Bonds	48%	45%	42%
Gilts	20%	19%	17%
Property	–	–	–
Insured pension asset	3%	4%	3%
Other	–	–	–
Total	100%	100%	100%

# Notes to the Financial Statements continued

## 34 Pensions continued

### Expected rate of return

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other assets classes in which the portfolio is invested and the expectations for future returns of each asset class. The durations of the Beale pension scheme is 17 years and the Denners pension scheme is 16 years approximately.

<b>Weighted average assumptions used to determine benefit obligations at:</b>	<b>1 November 2014</b>	<b>2 November 2013</b>
Discount rate	<b>4.05%</b>	4.3%
Rate of RPI	<b>3.1%</b>	3.3%

<b>Weighted average assumptions used to determine net pension cost for period ended:</b>	<b>1 November 2014</b>	<b>2 November 2013</b>
Discount rate	<b>4.3%</b>	4.35%
Rate of CPI	<b>2.3%</b>	1.9%
Rate of RPI	<b>3.3%</b>	2.6%

### Sensitivity analysis

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

<b>Funding position</b>	<b>Discount rate movement of - 0.25%</b>	<b>RPI movement of + 0.25%</b>
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 2014 year end results to changes in two key assumptions is shown below:

<b>Funding position</b>	<b>Discount rate movement of - 0.25%</b>	<b>RPI movement of + 0.25%</b>
Impact on balance sheet deficit	Surplus down by £1.6m	Surplus down by £0.6m
Impact on 2013/14 Income Statement	Income Statement profit down by £0.07m	Income Statement profit down by £0.02m

The discount rate and RPI sensitivity analysis is linked to the above weighted average assumptions.

Benefit obligations are estimated using the Projected Unit Credit method. Under this method each participant's benefits under the Scheme are attributed to years of service, taking into consideration future salary increases and the Scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited services. Given the Scheme closed to future accrual, all liabilities are allocated to past service.

In all cases, the benefit obligation is the total present value of the individuals' attributed benefits for valuation purposes at the measurement date, all the service cost is the total present value of the individuals' benefits attributable to service during the year. If multiple decrements are used, the present values take into account the probability of the individual leaving employment at the various anticipated separation dates.

## 35 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 34.

### Parent Company

During the year the Company received rent of £295,000 (2013: £295,000), interest of £290,243 (2013: £338,615) and a management charge of £nil (2013: £nil) from J.E. Beale PLC. At the year end there was a £3.7m loan (2013: £16.5m) from the Company to J.E. Beale PLC. £nil (2013: £9.0m) of the loan was repayable on 366 days' notice and £3.7m (2013: £7.5m) was repayable on demand. In addition, at 1 November 2014 Beale PLC owed £0.8m (2013: £0.8m) to J.E. Beale PLC.

Panther Securities PLC own 29.72% (2013: 29.72%) of Beale PLC. Panther Securities PLC own 11 (2013: 11) of the freeholds where J.E. Beale PLC is a tenant and have deferred purchase agreement of 1 (2013: 1).

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 7m preference shares (there is a deferred agreement to purchase the balance of the preference shares within 3 years) from CEC and the CEC 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 22 and note 23 CEC owns 983,953 £1 preference shares (2013: 983,953) in Beale PLC and the Group has £1m (2013: £1.3m) loan from Panther. The remuneration of the Directors is set out in the Annual Report on Remuneration.

### Key management personnel

For the purposes of remuneration disclosure, key management personnel includes only the executive directors and excludes the other senior business managers and members of the Executive Committees. Their remuneration is set out in the Report of the Remuneration Committee. Further information on the remuneration of individual Directors is provided in the audited part of the Report of the Remuneration Committee.

The Directors of the Company had no material transactions with the Company during the year, other than in connection with their service agreements. The remuneration of the executive directors is determined by the remuneration committee, having regard to the performance of the individuals and market trends. The remuneration of the non-executive directors is determined by the Board, having regard to the practice of other companies and the particular demands of the Group.

## 36 Post Balance Event

On 20 February 2015 English Rose announced that their offer of 6 pence per share was unconditional in all respects and that the holders of 63.23 percent of the issued ordinary share capital of Beale PLC had accepted the offer (this includes the percentage of shares held by Andrew Perloff and his concert party). English Rose announced that the offer would be extended until 12 March 2015. English Rose intends to apply to the UK Listing Authority and to the London Stock Exchange for the cancellation of the admission of the Beales Shares to listing on the Official List. Following such cancellation, English Rose also intends to seek to procure, subject to shareholder approval if necessary, that Beales re-registers from a public limited company to a private limited company.

# Report of the Remuneration Committee

## Unaudited Information

## A Statement to the Shareholders from the Chairman of the Remuneration Committee

I am pleased to report to shareholders on the aims, objectives and activities of the remuneration committee during 2014. A resolution to approve this report will be proposed at the Company's Annual General Meeting.

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

As set out on page 37 the performance of the business continued to be loss making and consequently no financially linked bonuses are payable to Directors however the Directors achieved 44% 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 main structure of the Report of the Remuneration Committee 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 which was approved last year for three years. The Policy report has been included for information purposes and will not be put to the vote until the AGM 2017.

Michael Hitchcock was appointed CEO on 9 February 2013 on an appropriate remuneration package and Tony Richard's remuneration package was enhanced in the year ended 2 November 2013 to reflect the added responsibilities of marketing, visual merchandising, loyalty card and subsequently operations. The business only has two executives performing the role of four in most businesses. 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 executive directors have been awarded a bonus of 44% of the maximum discretionary bonus available. No changes were made to Directors' remuneration during the year and Directors' salaries were not increased in the year ended 1 November 2014. The remuneration committee believes that the remuneration packages are set at a level to retain the Directors appointed to turn the business around. The Directors' salaries were not increased during the year given the challenging environment.

## Annual Report on Remuneration

### Audited Information

The table below reports a single figure for total remuneration for each Director for 2013/14

	Salary/ Fees £000	Taxable Benefits £000	Bonus £000	Pension £000	2014 Total £000
<b>Executive</b>					
Michael Hitchcock	250	30	55	37	<b>372</b>
Tony Richards	175	24	38	14	<b>251</b>
<b>Non-executive</b>					
Catherine Norgate-Hart	30	–	–	–	<b>30</b>
Simon Peters	–	–	–	–	<b>–</b>
John Chillcott	–	–	–	–	<b>–</b>
William Tuffy	64	–	–	–	<b>64</b>
<b>Total</b>	<b>519</b>	<b>54</b>	<b>93</b>	<b>51</b>	<b>717</b>

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
<b>Executive</b>					
Tony Brown	83	2	–	–	85
Tony Richards	169	22	73	12	276
Michael Hitchcock	180	21	104	27	332
<b>Non-executive</b>					
Keith Edelman	56	–	–	–	56
Simon Peters	–	–	–	–	–
John Chillcott	–	–	–	–	–
William Tuffy	35	–	–	–	35
Stuart Lyons	–	–	–	–	–
Catherine Norgate-Hart	9	–	–	–	9
<b>Total</b>	<b>532</b>	<b>45</b>	<b>177</b>	<b>39</b>	<b>793</b>

# Report of the Remuneration Committee continued

## Annual Report on Remuneration continued

- 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.
- b) Taxable benefits include private health insurance. 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 benefit are set out below:

	Michael Hitchcock		Tony Richards		Tony Brown	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Private Health insurance	1,087	762	1,087	1,103	–	681
Funded Company car	–	–	10,112	9,429	–	1,265
Car allowance	15,000	10,892	–	–	–	–
Subsistence	11,847	8,478	12,428	11,595	–	–
Life insurance	1,761	881	–	–	–	–
	29,695	21,013	23,627	22,127	–	1,946

- c) Michael Hitchcock received life cover of 4 times salary. Tony Richards received life cover of 3 times salary through membership of the Group pension scheme.
- d) Tony Richards was a member of the money purchase section of the Beales pension scheme until 31 August 2013 and the Company contributed £nil (2013: £10,000). On 1 September 2013 Tony Richards joined the Company GPP and the Company contributed £14,000 (2013: £2,333).
- During the year the Company contributed £37,500 (2013: £27,243) to Michael Hitchcock's personal pension. The non-executive directors did not receive any pensionable entitlement. During 2013 and 2014 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 £Nil (2013:£124,000). During this period he was not on the Board.
- f) The de minimis threshold for disclosure of payments to Directors for loss of office or other payments paid in connection with qualifying services is £30,000.
- g) The bonus scheme in place for the year ended 1 November 2014 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.



### Annual Report on Remuneration continued

- 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.

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:

- Achieve the trading cash flow covenant set/reset and stay within the Burdale collateral lending limits
- Ensure 100% concession mat occupation for at least 75% of the year
- Enter into and conclude negotiations with landlords to significantly reduce rent in order to improve the cash availability and profitability of stores
- Secure budgeted intake margin and show year on year growth of both Intake & retained margins
- Reduce run rate central overhead to 4.2% of net sales commensurate to a level seen as good for a business of Beales size and materially better than historic figures (2012/13 4.8%)
- Reduce the stock loss 50% to £0.6m
- Secure a capital contribution to both Mansfield and Peterborough to support the improved trading of both stores
- Secure exit from certain unprofitable units
- Secure a material reduction in the Bournemouth store rent and improve its trading

The Directors achieved 44% of their discretionary targets and consequently both executive directors received 44% of the maximum discretionary bonus available.

In relation to financial targets the committee agreed the following bonus could have been earned for the year ended 1 November 2014.

	<b>Financial Target £000</b>	<b>Michael Hitchcock £000</b>	<b>Tony Richards £000</b>
Loss before tax	(1,323)	25	17
Loss before tax	(882)	50	35
Loss before tax	(441)	75	52
Profit before tax	0	100	70
Profit before tax	441	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 are 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 1 November 2014 or date of resignation

Director	Shares		With performance measures	Shares held privately without performance conditions
	With performance conditions	Without performance conditions		
Michael Hitchcock	–	–	–	–
Catherine Norgate-Hart	–	–	–	–
Tony Richards	–	–	–	10,000
William Tuffy	–	–	–	10,000

## Performance Share Plan

At 1 November 2014, outstanding awards to a Directors under the Performance Share Plan were as follows:

Director	Award date	Vesting date	Market price at award date	At 3 November 2013	Awarded during year	Expired during the year	Vested during year	At 2 November 2014
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 percent of an award to vest for EPS in the 2013/14 financial year of 4.25 pence, increasing pro-rata to 100 percent vesting of an award for EPS in the 2013/14 financial year of 9.25 pence. This performance condition was not achieved and the Director's outstanding awards expired during the year ended 1 November 2014.

Directors beneficially held share interest in the Company as at 1 November 2014 are set out below:

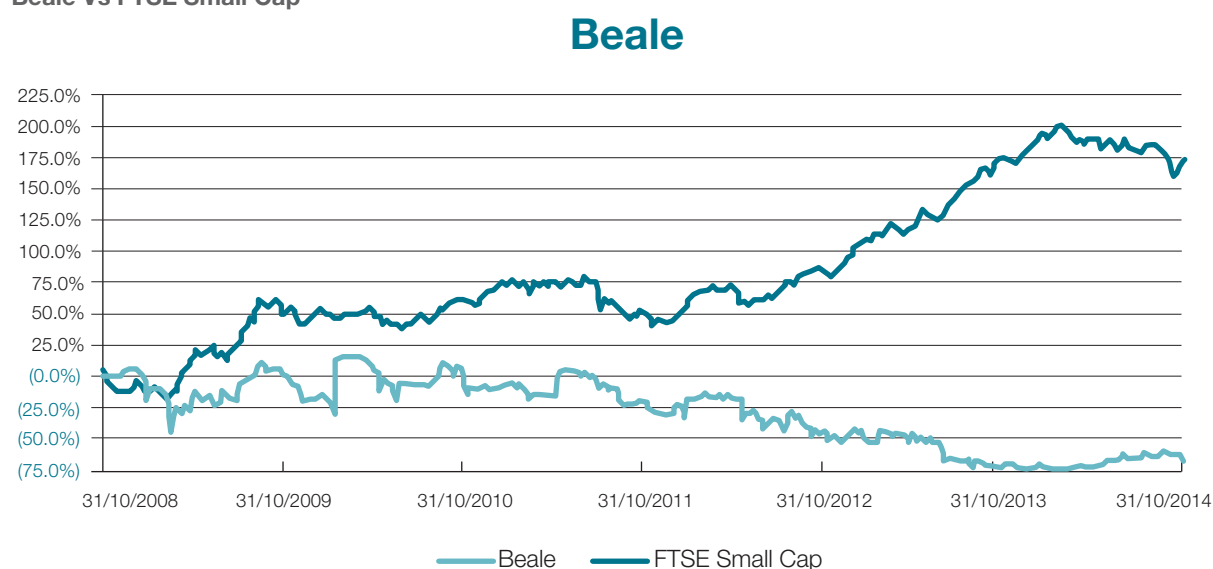
	2014	2013
	Ordinary shares of 5p	Ordinary shares of 5p
Michael Hitchcock	–	–
Catherine Norgate-Hart	–	–
Tony Richards	10,000	10,000
William Tuffy	10,000	10,000

## 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



Source: Data Stream

#### 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 1 November 2014	Michael Hitchcock	372	20%	N/A
Year ended 2 November 2013	Michael Hitchcock	332	38%	N/A
	Tony Brown	85	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

# Report of the Remuneration Committee continued

## Percentage change in CEO remuneration

The Chief Executive combined total remuneration decreased by 10.8% between the year ended 2 November 2013 and 1 November 2014. The Chief Executive combined salary declined by 4.9%, bonus declined by 47% and taxable benefits rose by 30% when compared to the previous year.

The average employee remuneration was increased by 3.34% during the year ended 1 November 2014. 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

The actual expenditure of the company on distributions to shareholders (by way of dividend and share buyback) has not been disclosed as there were no distributions to shareholders in the year.

	2014 £000	2013 £000	%
Redemption of shares	–	516	(100%)
Employee pay	15,877	15,259	4%
Gross sales	116,215	120,526	(4%)

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

The remuneration committee for the year end at 1 November 2014 consisted of William Tuffy and Catherine Norgate-Hart. Catherine Norgate-Hart took up the chair from 12 September 2013.

Aon Hewitt provided no services in the current year and last year they charged £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 because they are professional and independent of the Company. Aon Hewitt were selected back in 2011 having being recommended by Keith Edelman.

**Statement of implementation policy for the financial year ended 31 October 2015**

The Directors bonus scheme for the year ended 31 October 2015 will operate in a similar fashion to the bonus scheme for the year ended 1 November 2014. 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.

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

There are no changes to the remuneration policy for the year ended 31 October 2015.

**Statement on Shareholder voting**

Voting on the Director's remuneration report at the AGM held on 24 April 2014 (2013: 19 March 2013) was as follows:

	2014		2013	
Votes in favour:	2,955,659	99%	8,975,334	99%
Votes against:	43,846	1%	60,674	1%
Votes withheld:	424		6,654	

Voting on approving the Director's future remuneration policy at the AGM held on 24 April 2014 was as follows:

Votes in favour:	2,053,145	68%
Votes against:	944,980	32%
Votes withheld:	1,804	

32% of shareholders voted against the Director's future remuneration policy. Where shareholders wrote to the Company on the issue Directors responded. Furthermore, the future remuneration policy was discussed fully at the 2014 AGM.

# Report of the Remuneration Committee continued

**Future Remuneration Policy** (for information purposes) The future Remuneration Policy was approved at the AGM held on 24 April 2014. The resolution set out below is as it appeared in the financial statement for year ended 2 November 2013.

## 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
<b>Base salary</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Salaries are reviewed annually against:               <ul style="list-style-type: none"> <li>Level of skill, experience and scope of responsibilities, individual and business performance, economic climate and market conditions.</li> </ul> </li> </ul> <p>-----</p> <ul style="list-style-type: none"> <li>Non-executive salaries are reviewed in October of each year.</li> </ul>	<p>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.</p> <p>The salary levels for the current Executive Directors for 2014 are as follows:</p> <p>Michael Hitchcock £250,000 Tony Richards £175,000</p> <p>-----</p> <p>Non Executive salaries for 2014</p> <p>William Tuffy £64,000 Catherine Norgate-Hart £30,000 Simon Peters £0 John Chillcott £0</p>	
<b>Annual Incentive Plan</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Company and individual performance can be reflected through variable pay.</li> <li>Outstanding individual and Company performance is recognised and rewarded.</li> </ul>	<ul style="list-style-type: none"> <li>Maximum and target bonus levels for Executive Directors are set by reference to practice at retail and general market comparators.</li> <li>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.</li> <li>Performance over the financial year is measured against stretching financial and non-financial and individual performance targets set during the financial year.</li> <li>As bonus targets details are commercially sensitive these will only be reported on retrospectively.</li> </ul>	<ul style="list-style-type: none"> <li>Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure they continue to support our strategy.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>



Element	Purpose and link to strategy	Operation	Opportunity	Performance Conditions
<b>Pension</b>	<ul style="list-style-type: none"> <li>To aid retention and remain competitive within the market place.</li> <li>To encourage retirement planning by our employees and retain flexibility for individuals.</li> </ul>	<ul style="list-style-type: none"> <li>Pension contributions are paid only in respect of base salary</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	
<b>Benefits</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>The level of staff discount given varies between 5% and 20% depending on the product range.</li> <li>The only benefit received by Non-Executive Directors is the staff discount as described above.</li> </ul>	
<b>Performance share plan</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>One director and three employees are participating in the Performance Share plan.</li> <li>All awards are deferred into shares vesting three years or more after grant.</li> </ul>	<ul style="list-style-type: none"> <li>In the year ended October 2011 949,874 share awards were granted as of 2 November 2013. 228,312 were still outstanding, The reduction has been caused entirely by employees and directors resigning,</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>

# Report of the Remuneration Committee continued

## Policy table continued

Element	Purpose and link to strategy	Operation	Opportunity	Performance Conditions
<b>Recruitment remuneration policy</b>	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.	
<b>Payment for loss of office</b>		<ul style="list-style-type: none"> <li>The notice period for executive directors is 1 year.</li> <li>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 rule of the scheme.</li> </ul> <p>-----</p> <p>Non-executives notice period is 6 months.</p>		
<b>Statement of consideration of employment conditions elsewhere in the Company</b>		<ul style="list-style-type: none"> <li>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.</li> </ul>		
<b>Statement of shareholder views</b>		<ul style="list-style-type: none"> <li>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.</li> </ul>		

## Service Contracts and Letters of Appointment Operation

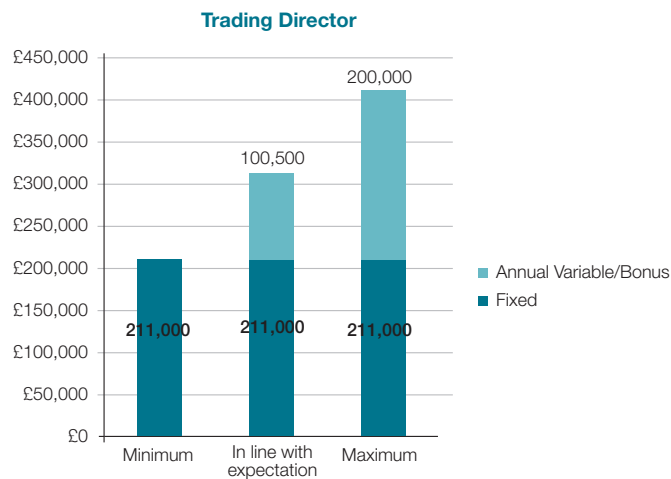
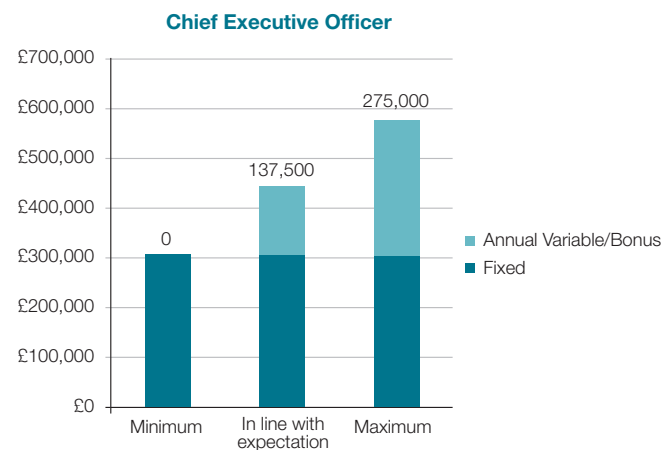
Name	Unexpired Term	Notice Period	Date of Contract
M Hitchcock	15 years and 3 months	1 year	08/02/2013
T Richards	16 years and 4 months	1 year	30/08/2011
W Tuffy	3 years	6 months	07/11/2014
C Norgate-Hart	1 year and 9 months	6 months	18/07/2013

### 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.

### 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 second year to which the policy applies.



### Catherine Norgate-Hart

Chairman of the remuneration committee  
26 February 2015

# Group Five Year Record

	2014 £000	As restated 2013 £000	As restated 2012 £000	2011 £000	2010 £000
<b>Gross sales*</b>	<b>116,215</b>	120,526	135,549	110,027	87,247
<b>Gross sales (excl. VAT)</b>	<b>97,036</b>	100,592	113,342	92,448	74,696
<b>Revenue</b>	<b>63,766</b>	64,098	74,609	61,969	48,566
<b>(Loss)/Profit before taxation</b>	<b>(4,611)</b>	(4,118)	(5,750)	543	(668)
<b>Taxation credit</b>	<b>420</b>	112	(59)	58	85
<b>(Loss)/Profit after taxation</b>	<b>(4,191)</b>	(4,006)	(5,809)	601	(583)
<b>Fixed assets</b>					
Goodwill	<b>892</b>	892	892	892	892
Tangible assets	<b>26,543</b>	24,641	25,204	26,586	24,096
Financial assets	<b>40</b>	1,407	1,432	1,249	16
Cash balance	<b>189</b>	1,194	454	738	466
Other current assets	<b>16,990</b>	17,903	21,111	22,138	13,897
Current liabilities	<b>(15,647)</b>	(15,845)	(15,423)	(19,682)	(10,075)
Non-current liabilities	<b>(24,215)</b>	(23,625)	(24,819)	(15,063)	(14,700)
<b>Net assets</b>	<b>4,792</b>	6,567	8,851	16,858	14,592
<b>Capital employed</b>					
Share capital	<b>1,026</b>	1,026	1,026	1,026	1,026
Reserves	<b>3,766</b>	5,541	7,825	15,832	13,566
<b>Total shareholders' funds</b>	<b>4,792</b>	6,567	8,851	16,858	14,592
Basic (loss)/earnings per share	<b>(20.4p)</b>	(19.5p)	(28.3p)	2.93p	(2.84p)
Dividends per share declared	<b>–</b>	–	–	–	–
(Loss)/profit on shareholders' funds	<b>(73.80%)</b>	(49.76%)	(45.19%)	3.82%	(4.11%)
Net assets per share	<b>23.35p</b>	32.0p	43.1p	82.1p	71.1p

\* 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 Morgan, Southampton
Honorary President	Nigel Beale

# Financial Calendar

Annual general meeting	To be determined
End of financial year (52 weeks)	31 October 2015
Announcement of results for the 52 weeks to 31 October 2015	26 February 2016

# 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 31 October 2015. 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](http://www.beales.co.uk)**

Incorporated in England and Wales