

Company Number: 120002

J E Beale plc

Directors' report and financial statements  
for the 52 weeks ended 1 November 2003



**J E Beale plc**

**Directors' report and financial statements for the 52 weeks ended 1 November 2003**

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
Report of the directors	2
Statement of directors' responsibilities	3
Report of the independent auditors	4
Profit and loss account	5
Statement of total recognised gains and losses	5
Balance sheet	6
Notes to the financial statements	7

## **J E Beale plc**

### **Report of the directors**

The directors present their annual report and the audited financial statements for the 52 weeks ended 1 November 2003.

#### **Principal activities and business review**

The principal activity of the Company continues to be the operation of department stores in the UK.

Throughout the year under review, the Company operated department stores in Bedford, Bournemouth, Ealing, Kendal, Poole, Tonbridge, Walton-on-Thames, Winchester and Worthing, all trading as Beales, and as Broadbents & Boothroyds in Southport, and, as Denners in Yeovil and as Whitakers in Bolton. The three stores acquired from Bentalls in 2002 produced a turnover of £24 million, which generated an incremental profit for the company. During 2004, young fashions will be introduced to Bournemouth and Southport.

<b>Profits and dividends</b>	<b>£000</b>
Profit before taxation	<b>847</b>
Taxation	<b>(526)</b>
	<hr/>
<b>Profit for the financial year</b>	<b>321</b>
	<hr/>

The directors recommend that a final ordinary dividend of 44.12p per share be paid making, with the interim dividend of 39.02p per share, a total of 83.14p per share for the year (2002 122.20p per share).

#### **Donations**

Donations to charitable organisations during the year amounted to £3,768 (2002: £5,111). There were no donations to political parties (2002 : Nil).

#### **Directors**

The directors during the year were A M Allkins, N B E Beale\*, N D Jones, A K Owst, T R Rathbone, Alison H Richards\* and J M H Sexton\* (\*non-executive).

N D Jones and Alison H Richards will retire by rotation at the annual general meeting and, being eligible, will offer themselves for re-election.

M Killingley will be appointed as non-executive director on 1 March 2004, and will offer himself for election at the annual general meeting.

The interests of the directors in the share capital of Beale PLC are disclosed in the board report on directors' remuneration contained in the annual report of Beale PLC. No director had a beneficial interest in the share capital of the Company.

#### **Directors' interests in contracts with the Company**

No director has had an interest in any contract with the Company.

#### **Employees**

The Company'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, retraining or job adjustments are made to assist staff members who become disabled.

## **J E Beale plc**

### **Report of the directors (continued)**

#### **Employees (continued)**

Staff members receive information on the Group and store news through weekly store newsletters. Company results and announcements are also posted on notice boards. 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.

Following Beale PLC shareholder approval of a Beales Three Year Sharesave Scheme and a Beales Five Year Sharesave Scheme, the parent company, Beale PLC, granted 734,505 share options to qualifying employees on 4 May 1999.

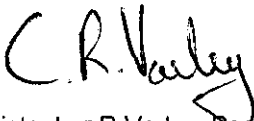
#### **Payment practice**

The Company's policy is to settle invoices within contractual timescales agreed in advance with suppliers. Settlement terms are agreed at the time of placing orders and at the commencement of business with suppliers. The Company does not follow any code or statement on payment practice. Payment is made in accordance with contractual and legal obligations. There were 49 days (2002 46 days) purchases in trade creditors on 1 November 2003 (based upon the year-end trade creditors as a proportion of year end purchases) .

#### **Auditors**

Deloitte & Touche LLP were appointed as auditors during the year to fill a casual vacancy. A resolution to reappointment them will be proposed at the forthcoming annual general meeting.

#### **By order of the board**



Christopher R Varley, BSc, FCA  
Secretary

23 January 2004  
Bournemouth

#### **Statement of directors' responsibilities**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to maintain the system of internal control, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **Independent Auditors' Report to the Members of J E Beale Plc**

We have audited the financial statements of J E Beale Plc for the year ended 1 November 2003 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report. Our responsibility is to audit the financial statements described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

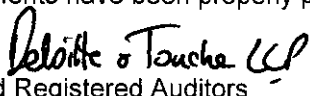
### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 1 November 2003 and of the profit of the Company for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
Southampton



23 January 2004  
Southampton

**J E Beale plc**

**Profit and loss account for the 52 weeks ended 1 November 2003**

	<u>Notes</u>	2003 <u>52 weeks</u> £000	2002 <u>52 weeks</u> £000
<b>Turnover</b>	1, 2	97,894	88,637
Cost of sales		(62,482)	(56,546)
<b>Gross profit</b>		<u>35,412</u>	<u>32,091</u>
Administrative expenses	3	(34,151)	(29,423)
<b>Profit on ordinary activities before interest</b>	3	1,261	2,668
Net interest payable and similar charges	4	(414)	(353)
<b>Profit on ordinary activities before taxation</b>		<u>847</u>	<u>2,315</u>
Tax on profit on ordinary activities	5	(526)	(800)
<b>Profit for the financial year</b>		<u>321</u>	<u>1,515</u>
Dividends	7	(851)	(1,251)
<b>Retained (loss)/profit for the year</b>	18	<u>(530)</u>	<u>264</u>

There is no material difference between the results as disclosed above and the results on an unmodified historical cost basis. All of the results are derived from continuing operations.

**Statement of total recognised gains and losses.**

	2003 <u>52 weeks</u> £000	2002 <u>52 weeks</u> £000
<b>Profit for the financial year</b>	321	1,515
Unrealised surplus on revaluation of properties	457	-
<b>Total recognised (losses)/gains relating to year</b>	<u>778</u>	<u>1,515</u>

**J E Beale plc**

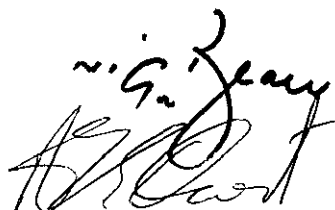
**Balance sheet as at 1 November 2003**

	<u>Notes</u>	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
<b>Fixed assets</b>			
Intangible assets	8	973	1,047
Tangible assets	9	16,603	15,890
Investments	10	139	137
		<u>17,715</u>	<u>17,074</u>
<b>Current assets</b>			
Stock		13,055	12,514
Debtors			
- due after one year	11	3,114	2,187
- due within one year	11	6,868	7,627
Total debtors		9,982	9,814
Cash at bank and in hand		111	125
		<u>23,148</u>	<u>22,453</u>
<b>Creditors : amounts falling due within one year</b>	12	(23,667)	(22,564)
<b>Net current liabilities</b>		<u>(519)</u>	<u>(111)</u>
<b>Total assets less current liabilities</b>		17,196	16,963
<b>Creditors : amounts falling due after more than one year</b>	13	(3,396)	(3,396)
<b>Provisions for liabilities and charges</b>	15	(1,640)	(1,334)
<b>Net assets</b>		<u>12,160</u>	<u>12,233</u>
<b>Capital and reserves</b>			
Called up share capital	17	1,030	1,030
Revaluation reserve	18	1,158	703
Capital redemption reserve	18	188	188
Profit and loss account	18	9,784	10,312
Equity shareholders' funds		<u>12,153</u>	<u>12,226</u>
Non-equity shareholders' funds		<u>7</u>	<u>7</u>
<b>Total shareholders' funds</b>	19	<u>12,160</u>	<u>12,233</u>

These financial statements were approved by the board of directors on 23 January 2004 and were signed on its behalf by

**N B E Beale**      director

**A K Owst**      director



**Notes to the financial statements**

**1 Accounting policies**

The Company prepares its financial statements on the historical cost basis of accounting, modified to include the revaluation of certain tangible fixed assets. The accounting periods are for fifty-two or, when appropriate, fifty-three weeks. The year 2002/2003 was a 52 week year (2001/2002 52 week year). The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and the Companies Act 1985.

The Company has taken advantage of the provisions of the Companies Act 1985 not to prepare Group accounts, on the basis that it is a wholly owned subsidiary of a Company registered in England and Wales (see note 24). The financial statements, therefore, present information about the Company as an individual undertaking and not about its Group.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

**Goodwill**

Goodwill (representing the excess of the fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) arising on the consolidation of subsidiaries and purchased goodwill arising on acquisitions of businesses in respect of acquisitions since 1 November 1998 is capitalised and amortised on a straight line basis over 20 years. On the subsequent disposal or termination of a business acquired since 1 November 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

In prior years, goodwill was written off to reserves in the year of acquisition. On the subsequent disposal or termination of a business acquired before 1 November 1998, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill previously taken against reserves.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation less depreciation and any provision for impairment, as detailed in note 9 of these financial statements. The Company's major freehold is revalued on an existing use basis every three years in accordance with FRS15.

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. Freehold buildings have been depreciated at 2% per annum. The rate applied to computers and motor vehicles is 25%. The rate applied to fixtures and fittings and EPOS cash registers is 12.5%.

Costs incurred in entering a lease and of leasehold improvements are included in fixed assets and amortised on a straight line basis over the life of the lease.

**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.

**Deferred taxation**

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.



## **J E Beale plc**

### **Notes to the financial statements**

#### **Stocks**

Stocks comprise principally retail items for resale and are valued at the lower of cost and net realisable value; cost being the specific item price or being computed on the basis of the selling price less the appropriate trading margin. Provision is made for obsolete or slow-moving stocks, where appropriate.

#### **Turnover and gross profit**

Turnover and gross profit are derived from one business activity. Turnover includes the sales of concession departments and represents amounts received and receivable from goods and services supplied to customers after deduction of value added tax. Turnover and gross profit includes interest earned on customers' accounts.

#### **Leases**

The Company's major leased assets are properties held under operating leases, and annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

#### **Contributions to the pension scheme**

The Company's pension scheme has a section providing benefits based on final pensionable pay, which was closed to new entrants on 6 April 1997, and a defined contribution section. The assets of the scheme are held separately from the Company in an independently administered fund. The scheme is valued by actuaries every three years and the rates of contribution are adjusted in accordance with their advice.

Contributions to the final salary section of the pension scheme are charged to the profit and loss account so as to produce a level percentage of current and future pensionable payroll. The amount charged against profits in relation to the defined contribution section of the scheme represents the contributions payable to the scheme for the accounting period.

On 30 November 2000, the Accounting Standards Board introduced a new standard, FRS17 "Retirement Benefits", replacing SSAP24 "Accounting for Pension Costs". Certain transitional disclosures are required for the 52 weeks ended 1 November 2003, which are included in note 20 to the Accounts.

#### **Foreign currencies**

Transactions in foreign currencies are translated into Sterling at rates ruling at the time of transaction. Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange, except in those instances where forward cover has been arranged, in which case the forward rate is used. All differences arising on translation are included in the profit and loss account.

#### **Related party transactions**

Advantage has been taken of the exemption available under Financial Reporting Standard No. 8 not to disclose details of transactions with Beale Plc or other group undertakings as the consolidated financial statements of Beale Plc, in which the Company is included, are publicly available.

**J E Beale plc**

**Notes to the financial statements (continued)**

**2. Turnover**

The Directors note the issue of the amendment to FRS 5 (application note G: Revenue Recognition) on 13 November 2003. Historically the department stores have shown sales from concessions on a gross basis in accordance with industry practice. Application note G indicates that, for certain types of concession arrangement, such sales in future should be shown on a net basis, although this does not affect reported profits, cashflows and balance sheet. Turnover can be analysed as follows:

	<b>52 weeks ended 1 November 2003 £000</b>	<b>52 weeks ended 2 November 2002 £000</b>
Turnover - own sales	61,952	54,765
Turnover - concession sales	35,942	33,872
	<hr/> 97,894	<hr/> 88,637

The Company will consider the requirements of the amendment and any impact on its financial statements during 2004.

	<b>2003 52 weeks £000</b>	<b>2002 52 weeks £000</b>
<b>3. Profit on ordinary activities before taxation is stated after charging/(crediting)</b>		
Depreciation	2,911	2,488
Amortisation of goodwill	54	32
Operating lease rentals – plant and machinery	225	177
Operating lease rentals - land and buildings	4,391	3,475
Loss/(profit) on sale of tangible fixed assets	4	(3)
Profit on sale of fixed asset investments	(1)	-
Auditors' remuneration:		
Audit work	42	42
Other fees paid to the auditors and their associates	24	26
Included within administrative expenses:		
Exceptional business rates rebates	(21)	(12)
	<hr/> 2003 52 weeks £000	<hr/> 2002 52 weeks £000
<b>4. Net interest payable and similar charges</b>		
Interest receivable:		
Total interest receivable	920	954
Less interest on customers' accounts included in turnover	(916)	(934)
	<hr/> 4	<hr/> 20
Interest payable:		
Bank overdraft	(16)	(11)
Other interest payable	(4)	(41)
Holding company loan repayable within 5 years (See note 14)	(398)	(321)
	<hr/> (418)	<hr/> (373)
<b>Net interest payable</b>	<hr/> (414)	<hr/> (353)

J E Beale plc

Notes to the financial statements (continued)

	2003 <u>52 weeks</u> £000	2002 <u>52 weeks</u> £000
<b>5. Tax on profit on ordinary activities</b>		
United Kingdom corporation tax at 30% (2002 30%)	147	249
Adjustment in respect of prior years	73	-
	<u>220</u>	<u>249</u>
Deferred taxation – origination and reversal of timing differences (see note 16)		
Current year	286	614
Adjustment in respect of prior years	20	(63)
	<u>526</u>	<u>800</u>

The current tax charge for the year is lower (2002: lower) than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below:

	2003 <u>52 weeks</u> £000	2002 <u>52 weeks</u> £000
<b>Profit on ordinary activities before tax</b>	<u>847</u>	<u>2,315</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	254	695
<i>Effects of:</i>		
Goodwill amortisation	16	10
Depreciation on assets not qualifying for capital allowances	170	191
Other	(7)	(30)
Adjustment in respect of prior years	73	-
Timing differences:		
Capital allowances in excess of depreciation	7	(196)
Pension contributions	(294)	(429)
Other	1	8
<b>Total current tax charge</b>	<u>220</u>	<u>249</u>

**J E Beale plc**

**Notes to the financial statements (continued)**

	<b>2003</b>	<b>2002</b>
	<b><u>52 weeks</u></b>	<b><u>52 weeks</u></b>
<b>6. Directors and employees</b>		
The average number (including directors) employed by the Company during the year was:		
Full time	689	646
Part time	973	804
	<u>1,662</u>	<u>1,450</u>
	<b>2003</b>	<b>2002</b>
	<b><u>52 weeks</u></b>	<b><u>52 weeks</u></b>
	<b>£000</b>	<b>£000</b>
Staff costs for the above:		
Wages and salaries	14,008	12,385
Social security costs	819	693
Other pension costs (see note 20)	792	488
	<u>15,619</u>	<u>13,566</u>

No director received any emoluments from J E Beale plc. Emoluments received as directors of Beale PLC are disclosed in that company's financial statements and the board report on directors' remuneration. Emoluments received from Beale PLC substantially all relate to services to J E Beale plc.

	<b>2003</b>		<b>2002</b>
	<b><u>52 weeks</u></b>		<b><u>52 weeks</u></b>
	<b>£000</b>		<b>£000</b>
<b>7. Dividends</b>			
Ordinary shares:			
Interim paid	39.02p	400	39.02p
Final proposed	44.12p	451	83.18p
	<u>83.14p</u>	<u>851</u>	<u>122.20p</u>
			<u>1,251</u>

	<b>Goodwill</b>
	<b>£000</b>
<b>8. Intangible fixed assets</b>	
<b>Cost (arising on purchase of businesses)</b>	
3 November 2002	1,090
Adjustment	(20)
1 November 2003	<u>1,070</u>
<b>Amortisation</b>	
3 November 2002	43
Charge for the year	54
1 November 2003	<u>97</u>
<b>Net book value</b>	
1 November 2003	<u>973</u>
2 November 2002	<u>1,047</u>

J E Beale plc

Notes to the financial statements (continued)

	<u>Freehold land and buildings</u> £000	<u>Short leasehold buildings</u> £000	<u>Plant, fixtures &amp; fittings</u> £000	<u>Total</u> £000
<b>9. Tangible fixed assets</b>				
<b>COST OR VALUATION</b>				
3 November 2002	3,780	1,085	29,928	34,793
Additions	-	2	3,182	3,184
Revaluation	400	-	-	400
Disposals	-	-	(149)	(149)
1 November 2003	<u>4,180</u>	<u>1,087</u>	<u>32,961</u>	<u>38,228</u>
<b>REPRESENTED BY:</b>				
Valuation in 1979	-	120	-	120
Valuation in 2000	3,700	-	-	3,700
Valuation in 2003	400	-	-	400
Cost	80	967	32,961	34,008
	<u>4,180</u>	<u>1,087</u>	<u>32,961</u>	<u>38,228</u>
<b>DEPRECIATION</b>				
3 November 2002	43	508	18,352	18,903
Charge for the year	20	41	2,850	2,911
Revaluation	(57)	-	-	(57)
Eliminated in respect of disposals	-	-	(132)	(132)
1 November 2003	<u>6</u>	<u>549</u>	<u>21,070</u>	<u>21,625</u>
<b>NET BOOK VALUE:</b>				
1 November 2003	<u>4,174</u>	<u>538</u>	<u>11,891</u>	<u>16,603</u>
2 November 2002	<u>3,737</u>	<u>577</u>	<u>11,576</u>	<u>15,890</u>

Freehold land and buildings were revalued at the existing use value on 1 November 2003 by ING Real Estate Management, Chartered Surveyors. The valuation has been made in accordance with the RICS Appraisal and Valuation Manual.

At 1 November 2003, the total value of land not being depreciated is £3,136,907 (2002 £2,786,907).

**J E Beale plc**

**Notes to the financial statements (continued)**

**9. Tangible fixed assets (continued)**

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

	<u>Freehold land and buildings</u> £000	<u>Short leasehold buildings</u> £000	<u>Plant, fixtures &amp; fittings</u> £000	<u>Total</u> £000
Cost	3,288	1,025	32,961	37,274
Accumulated depreciation	(261)	(498)	(21,070)	(21,829)
<b>NET BOOK VALUE</b>				
1 November 2003	3,027	527	11,891	15,445
2 November 2002	3,045	565	11,576	15,186
<b>Capital commitments</b>			<b>2003 £000</b>	<b>2002 £000</b>
Capital expenditure contracted for but not provided for in the financial statements			68	178
			<b>2003 £000</b>	<b>2002 £000</b>
<b>10. Fixed asset investments</b>				
Shares in subsidiaries at cost			109	109
Listed on a recognised UK stock exchange at valuation			13	11
Unlisted investments at cost			17	17
			139	137

At 1 November 2003, the Company held, either directly or indirectly, the whole of the issued ordinary share capital in the following dormant subsidiary companies:

J E Beale (Stores) Limited  
John Elmes Beale Trust Company Limited  
Grant-Warden Limited  
IMS Finance Limited  
Beale Staff Share Schemes Trustees Limited

In the opinion of the directors the aggregate value of shares in subsidiary companies is not less than aggregate balance sheet value.

The market value of listed investments is £13,000 (2002 £11,000).

The cost value of listed investment is £3,000 (2002 £6,000).

**J E Beale plc**

**Notes to the financial statements (continued)**

	<b>2003</b>	2002
	<b>£000</b>	£000
<b>11. Debtors</b>		
<b>Due after one year:</b>		
Trade debtors	82	126
Pension prepayment (see note 20)	3,032	2,061
	<u>3,114</u>	<u>2,187</u>
 <b>Due within one year:</b>		
Trade debtors	5,709	6,243
Prepayments and accrued income	1,159	1,384
	<u>6,868</u>	<u>7,627</u>
 <b>Total debtors</b>	<u>9,982</u>	<u>9,814</u>

	<b>2003</b>	2002
	<b>£000</b>	£000
<b>12. Creditors</b>		
Amounts falling due within one year:		
Bank overdraft	11,908	9,901
Trade creditors	7,434	7,572
Amounts owed to fellow subsidiaries	105	105
Amount owed to holding company	988	902
Amounts owed to subsidiary undertakings	109	109
Corporation tax	(37)	(42)
Other taxation and social security	252	141
Accruals and deferred income	2,457	3,025
Dividends	451	851
	<u>23,667</u>	<u>22,564</u>

The bank overdraft is unsecured.

	<b>2003</b>	2002
	<b>£000</b>	£000
<b>13. Creditors</b>		
Amounts falling due after more than one year:		
Holding company loan (note 14)	3,396	3,396
	<u>3,396</u>	<u>3,396</u>

**J E Beale plc**

**Notes to the financial statements (continued)**

	2003 £000	2002 £000
<b>14. Borrowings</b>		
The aggregate amount of borrowings was as follows:		
Holding company loan (due between 1 and 2 years)	3,396	3,396
Overdraft	11,908	9,901
Total Borrowings	<u>15,304</u>	<u>13,297</u>

The holding company loan is secured by a fixed charge on the Company's book debts and certain freehold property and a floating charge over the Company's other assets. The holding company loan due between 1 and 2 years is repayable on one year and one day's notice. Interest on the holding company loan accrues at HSBC's base rate.

	<b>Deferred Taxation £000</b>
<b>15. Provisions for liabilities and charges</b>	
At 3 November 2002	1,334
Charge for the year	<u>306</u>
As at 1 November 2003	<u>1,640</u>

	2003 £000	2002 £000
<b>16. Deferred taxation</b>		
Deferred taxation provided for in the financial statements is analysed as follows:		
Accelerated capital allowances	764	749
Pension timing differences	912	619
Short-term timing differences	(36)	(34)
	<u>1,640</u>	<u>1,334</u>



## Notes to the financial statements (continued)

	2003 £000	2002 £000
<b>17. Called up share capital</b>		
Authorised		
1,212,254 ordinary shares of £1 each	1,212	1,212
146,960 management shares of 5p each	7	7
	<u>1,219</u>	<u>1,219</u>
 Allotted, called up and fully paid		
1,023,254 ordinary shares of £1 each	1,023	1,023
141,960 management shares of 5p each	7	7
	<u>1,030</u>	<u>1,030</u>

**Ordinary shares – equity**

The ordinary shares carry no rights to dividend other than those which may be recommended by the directors and approved by shareholders in general meeting. Ordinary shares have no redemption rights. However, they have an unlimited right to share in the surplus remaining on a winding up, after all liabilities and participation rights of other classes of shares have been satisfied. Ordinary shares have one vote per share.

**Management shares - non-equity**

The management shares carry a fixed non-cumulative dividend at the rate of 5% per annum on capital paid up thereon calculated from the date of issue of such shares and ranking pari passu with any dividend paid on ordinary shares. Beale PLC has waived the dividend. On a winding up, holders are entitled to repayment of the capital paid up thereon in priority to any payment to holders of ordinary shares, but the management shares shall not entitle the holders to any further or other participation in the profits or assets of the Company. Management shares have one vote per share.

**J E Beale plc**

**Notes to the financial statements (continued)**

	<u>Revaluation Reserve</u> £000	<u>Capital Redemption Reserve</u> £000	<u>Profit and Loss Account</u> £000
<b>18. Reserves</b>			
At 3 November 2002	703	188	10,312
Retained loss for the year	-	-	(530)
Transfer	(2)	-	2
Revaluation	457	-	-
At 1 November 2003	1,158	188	9,784

With the exception of £7,000, all reserves of the Company relate to equity interests. Those that may not be distributed under Section 264 of the Companies Act 1985 comprise the capital redemption reserve and the revaluation reserve.

The transfer from the revaluation reserve to the profit and loss account 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.

With effect from 1 November 1998, any goodwill resulting from an acquisition has been capitalised. Prior to that date, all goodwill was written off to reserves. At 1 November 2003 the cumulative goodwill written off relating to acquisitions prior to 1 November 1998 was £560,000 (2001 £560,000).

	<b>2003 52 weeks £000</b>	<b>2002 52 weeks £000</b>
<b>19. Reconciliation of movements in shareholders' funds</b>		
Profit for the financial year	321	1,515
Dividends	(851)	(1,251)
Revaluation of freehold properties	457	-
Net (reduction)/addition to shareholders' funds	(73)	264
Opening shareholders' funds	12,233	11,969
Closing shareholders' funds	12,160	12,233

Notes to the financial statements (continued)

**20. Pension commitments**  
**Beales Pension Scheme**

The pension cost relating to the final salary section of the scheme is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent actuarial valuation, as at 6 April 2002, recorded that the scheme had assets of approximately £18,255,000 at market value, and that a deficit of £3,104,000 was indicated. The valuation identified a solvency level of 85.5%. The valuation assumed an investment return of 5% per annum for pensioner liabilities and 7% per annum for current active and deferred liabilities, average salary increases of 4.5% per annum compound and present and future pensions increasing at the rate of 5% per annum in respect of pensions with guaranteed increases of 5% per annum, and 3% per annum in respect of pensions receiving limited price indexation.

Following a Minimum Funding Requirement valuation obtained by the trustees at 5 April 2001, contributions by the Group were increased to 10% of pensionable salaries plus £1,200,000 per annum from 1 December 2001 to 30 June 2003.

Following the actuarial valuation as at 6 April 2002, contributions by the Group to the Beales Pension Scheme were revised to 10.8% of pensionable salary plus £828,000 per annum from 1 July 2003. The resultant pension contributions exceeded the pension charge resulting in a prepayment in the balance sheet of £3,032,000 (20002 £2,061,000).

**Denners Scheme**

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

**Summary**

The pension charge for the year amounted to £792,494 (2002 £488,000) including matched additional voluntary contributions.

As required by SSAP24, the figures included in the accounts in respect of the Beales pension scheme are based on an actuarial valuation carried out at 6 April 2002. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP24 triennial valuation as at 6 April 2005, based upon which subsequent pension costs will be determined until the adoption of FRS17.

**FRS 17 "Retirement Benefits"**

Whilst the Company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 "Accounting for Pension costs", under FRS 17 "Retirement Benefits" the following transitional disclosures are required.

For pension purposes, the Company is a member of the Beales Pension Scheme. As the Company is unable to identify its share of the Scheme's assets and liabilities on a consistent and reasonable basis, as permitted by FRS17, Retirement Benefits, the Scheme will be accounted for by the Company when the accounting standard is fully adopted by the Company as if the Scheme was a defined contribution scheme.

J E Beale plc

Notes to the financial statements (continued)

20. Pension commitments (continued)

	Long term rate of return expected	Value at 1 November 2003 £000	Value at 2 November 2002 £000	Value at 3 November 2001 £000
Equities	7.5%	10,516	8,591	10,951
Bonds	4.7%	7,707	7,014	5,233
Other	4.0%	649	582	569
Property	7.5%	625	707	639
Annuities	5.5%	792	767	660
Total market value		20,289	17,661	18,052
Present value of scheme liabilities		(24,663)	(24,251)	(23,372)
Deficit in the schemes		(4,374)	(6,590)	(5,320)
Related deferred tax asset		1,312	1,977	1,596
Net pension liability		(3,062)	(4,613)	(3,724)

The assumptions used in arriving at this position are as follows:

Rate of increase in salaries	3.5%	(2002 3.5%)
Rate of increase in pensions in payment	2.25%*	(2002 2.25%*)
Discount rate	5.5%	(2002 5.5%)
Inflation assumption	2.25%	(2002 2.25%)

\* Some members of the Beales Pension Scheme are entitled to fixed increases of 5% pa in respect of benefits accrued prior to April 1997.

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

21. Contingent Liabilities

The Company has an unlimited multilateral guarantee with HSBC in relation to Beale PLC and Grant Warden Limited. There is a Guarantee for £100,000 in favour of Combined Independent (Holding) Ltd.

**J E Beale plc**

**Notes to the financial statements (continued)**

**22. Contingent Liabilities**

The Company has an unlimited multilateral guarantee with HSBC in relation to Beale PLC and Grant Warden Limited. There is a Guarantee for £100,000 in favour of Combined Independent (Holding) Ltd.

**23. Commitments under operating leases**

	<u>2003</u>		<u>2002</u>	
	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
The Company had annual commitments under non-cancellable operating leases as follows:				
Expiring within one year	-	70	-	87
Expiring between 1 and 5 years	109	171	-	122
Expiring in more than five years	4,399	-	4,444	-
	<u>4,508</u>	<u>241</u>	<u>4,444</u>	<u>209</u>

The Company's leases of land and buildings are subject to rent review periods of between one and nine years.

**24. Ultimate holding company**

The Company's immediate parent and ultimate holding company is Beale PLC, a company registered in England and Wales. The only group in which the results of the Company are consolidated is that headed by Beale PLC. The consolidated financial statements of this Group are available to the public and may be obtained from The Granville Chambers, 21 Richmond Hill, Bournemouth, BH2 6BJ.