Associated Independent Stores Limited

Directors' report and financial statements

For the year ended 30 June 2009

Registered number 912655

Contents

Directors

Executive	Ordinary
S A Cooper (Managing)	**D C Banbury (Chairman)**
R V Blaney	**P D Barbour**
E G Kelway-Bamber	**D F Clarke**
A H Smith	**T S Coller**
	B H Dreesmann
	H Fox
	P J Glasswell
	P C Mitchell
	N K Moore

Secretary and Registered Office

A P Harper
Sheward House, Cranmore Avenue, Shirley, Solihull, West Midlands B90 4LF
Registered in England, No 912655

Auditors

KPMG LLP, Chartered Accountants
One Snowhill, Snow Hill Queensway, Birmingham B4 6GH

Solicitors

Moorhead James
Kildare House, 3 Dorset Rise, London EC4Y 8EN

Bankers

The Royal Bank of Scotland plc
5th Floor, 2 St Philips Place, Birmingham B3 2RB

Subsidiary Companies

AIS Property Limited	Property investment company
Cenpac (AIS) Limited	Paying agent for member stores
Garden Retailers Organisation Limited	Retail buying group for garden centres
Iconico Limited	Trading company (various non-mutual activities)
INTERSPORT UK Limited	Retail buying group for sporting goods retailers
Ultimate Flooring Limited	Retail buying group for floorcoverings retailers
Associated Independent Stores Trading Limited	Dormant company

All companies are incorporated in Great Britain

Notice is hereby given that the forty-second Annual General Meeting of Associated Independent Stores Limited will be held at the Forest of Arden Hotel, Maxstoke Lane, Meriden, Warwickshire CV7 7HR on Monday 26 April 2010 commencing at 9 30am for the following purposes

1 To receive the directors' report and audited accounts for the year ended 30 June 2009

2 To elect directors

3 To transact any other business

By Order of the Board
A P Harper
Secretary

Sheward House
Cranmore Avenue
Shirley
Solihull
West Midlands
B90 4LF

17 December 2009

Proxies

A member entitled to attend and vote at the above mentioned meeting may appoint a proxy to attend and vote instead of him/her A proxy need not be a member of the Company

The directors have pleasure in submitting their report and audited financial statements for the year ended 30 June 2009

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the directors' 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 they have elected to prepare the Group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period

In preparing each of the Group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 Group and the parent company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

Activities

The principal activities of the Group during the year were that of joint buying association and paying agent for member stores in respect of certain agreed suppliers

Operating and Financial Review

Membership

At 30 June 2009, the Group had 347 members operating from over 830 retail outlets with a combined retail turnover of £2 1bn There have been few membership changes during the year, with income from new members offsetting the loss of income from member resignations Further opportunities exist, particularly within our specialist buying groups and we are in active discussions with a number of independents

Cenpac

Cenpac continues to provide a valuable service to both members and suppliers The total value of invoices processed during the year was £383m (net of VAT), representing a decrease of 3% when compared to the previous year This is considered a good result as 50% of the Group's throughput is in furniture which was seriously affected by the recession

In view of the exceptionally difficult economic environment and the actions of credit insurers, the directors concluded that it would be imprudent to pay a rebate to members during the financial year This resulted in a healthy increase in retained profit It is the Board's intention to ensure that members are rewarded in future years

Operating and Financial Review (continued)

Merchandise

Furniture, our largest merchandise category had a difficult year, in line with the marketplace Since the summer sale trade has been more buoyant but figures are set against weaker comparatives

Headed by David Parkes, our cookshop division has performed well throughout the recession and the team have worked hard to help members increase turnover in this sector In spring 2009, a container import programme was introduced for homewares merchandise from the Far East These ranges have proved successful with members, providing exclusive offers at attractive margins This programme will be expanded during 2010

Fashion has remained a challenging area during the past 12 months Value led product has sold through well, especially First Avenue Leisurewear with its strong promotional base Our orders for spring 2010 remain encouraging In menswear a new exclusive casual collection has proved a hit with members In addition, brands new to AIS such as Joules and Laura Ashley have been well received by members

Property

Progress on the letting of Cranmore Place continues to be affected by the deterioration in the property market However, two tenants occupied space shortly before the year end with a third tenant in situ from the beginning of December A new marketing campaign has commenced and this has generated additional interest from three prospective tenants We understand that the level of uptake is significantly better than that of other vacant properties in the area and we remain confident that the standard of fit-out makes Cranmore Place an attractive proposition

Income from our Cranmore Park exhibition space continues to grow, broadening the Group's financial base As it is not yet a mature business, further growth is anticipated

Ecommerce

Since 1 July 2009, all members have accessed images of their Cenpac invoices and have posted stop-notes and stop-note reversals online through CEDARS, the Cenpac Document Archiving and Retrieval Service

Members net continues to be expanded and has become the central portal giving members a single point of access to all corporate and departmental information During the year, an image library and an interactive promotional calendar have been added, as have an online membership book and a key-word search facility

The Tradeislands portal is now supported and hosted in-house This has resulted in substantial savings in operating costs and increased security over the future operation of the service Development work will allow the online creation of orders and invoices

INTERSPORT UK

During the year, the total value of invoices processed by Cenpac on behalf of members of INTERSPORT UK grew by 6% to £50m

INTERSPORT currently has 66 members operating 179 stores across the UK and Ireland (2008 59 members and 159 stores) In May, we were delighted that Greaves Sports, a major independent in the UK joined INTERSPORT General Manager, Barry Mellis, continues to drive the business forward with exciting progress made since the year end with the recruitment of 7 new members with 15 sports outlets There remains significant potential to increase membership further Our aim is to have national coverage which will facilitate marketing to increase brand recognition

In July 2009, a new insurance division was established under an experienced manager The objective of the division is to establish INTERSPORT retailers as the preferred choice of major insurers to replace sports equipment for insurance claims To date, pilot schemes have been agreed with the intention being to roll the concept out during 2010

Operating and Financial Review (continued)

Flooring One
Flooring One currently has 123 members with 168 outlets The economic downturn has had a detrimental effect on the flooring sector The first half of our financial year was particularly affected but, more encouragingly, since the year end we have seen 7% growth in the value of member invoices processed

The collaboration with fellow buying group, Greendale Carpets and Flooring Limited, on certain cut-length ranges continues with a positive reaction from members

Flooring One is the registered trademark of CCA Global Partners Inc and is operated under a 99 year licence

Garden Retailers Organisation (GRO)
In December 2007, the Group launched GRO, a buying group for garden centres, as a joint collaboration with the Garden Centre Association (GCA) Membership was restricted to GCA members which proved difficult and a mutual decision was taken to end the collaboration on 31 July 2009

At the request of some members of GRO, the Group has formed a new division exclusively for garden centres called 'insideout' 11 members with meaningful turnover have joined the new group It is anticipated that other garden centre retailers will join over a period of time

plaY-room (Toy Division)
plaY-room was set up in April 2008 following the demise of toy buying group, Youngsters Retailer and supplier support remains extremely positive Membership has shown strong growth since its inception and there are currently 56 members with 116 retail outlets

We are extremely pleased with the progress made by plaY-room to date and anticipate that this strong growth will continue during the 2009/10 financial year, as members enjoy healthy growth in their toy departments following the demise of Woolworths

Procurement
Total first year savings obtained for members exceed £1 5m During the year, the service was extended to include credit/debit card charges for members with a chargeable turnover in excess of £1m and home delivery carrier services, of particular value to members trading over the internet

Personnel
The team at AIS has worked hard to help members withstand the effects of the recession We are fortunate in having a highly committed, experienced team and we would like to thank them for their significant efforts on behalf of members

Roger Blaney, our Management Information Systems and Marketing Director will retire in early 2010 after more than 7 years with AIS Roger has made a very substantial contribution to the Company and we wish him a long and extremely happy retirement Headhunters have been appointed to seek a replacement for Roger

Outlook
The new financial year has started well with Cenpac throughput showing an increase in the first 23 weeks of 10% with a two year growth of 4% We anticipate that the first half of 2010 will remain challenging with the planned increases in VAT, personal taxation and an anticipated rise in unemployment However, AIS is a diverse business and remains well placed to weather the storm

Our focus remains to work closely with our suppliers to assist our members in whatever ways we can to increase their profitability

Directors

The directors during the course of the year were

R J A Ball	(retired 27 April 2009)	H Fox	
D C Banbury	(appointed 27 April 2009)	P J Glasswell	
P D Barbour		E G Kelway-Bamber	
R V Blaney		J S Mallett	(retired 28 August 2008)
D F Clarke		P C Mitchell	
T S Coller	(appointed 27 April 2009)	N K Moore	(appointed 27 April 2009)
S A Cooper		M R Sheppard	(retired 27 April 2009)
B H Dreesmann		A H Smith	

At the next Annual General Meeting Mr Dreesmann and Mr Glasswell will retire by rotation

Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Financial Instruments

The directors have considered the Group's financial risk management objectives and policies in relation to interest rate risk, cash flow risk, credit risk, liquidity risk and foreign currency risk and have set out the objectives and policies in note 16 of the financial statements

Results

The results for the year are set out on page 9

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By Order of the Board
A P Harper
Secretary

17 December 2009

We have audited the Group and parent company financial statements of Associated Independent Stores Limited for the year ended 30 June 2009 set out on pages 9 to 25 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 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 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 explained more fully in the directors' responsibilities statement set out on page 4, 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 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2009 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

S C Wood
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

17 December 2009

for the year ended 30 June 2009

	Notes	2009 £000	2008 £000
Gross transaction value		398,054	409,868
Less throughput from member stores		(379,954)	(391,538)
Turnover	1 & 5	18,100	18,330
Cost of sales		(7,566)	(8,193)
Gross profit		10,534	10,137
Distribution costs		(70)	(88)
Administration expenses		(8,790)	(8,391)
		(8,860)	(8,479)
Member rebate paid in year	1	-	(400)
Group operating profit		1,674	1,258
Interest receivable and similar income	2	18	48
Interest payable and similar charges	2	(658)	(802)
Other finance income	3	37	79
		(603)	(675)
Profit on ordinary activities before taxation	2	1,071	583
Taxation	4	-	-
Retained profit		£1,071	£583

Note on Historical Cost Profits

	2009 £000	2008 £000
Reported profit on ordinary activities before taxation	1,071	583
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	37	37
Historical cost profit on ordinary activities before taxation	£1,108	£620
Historical cost profit retained	£1,108	£620

Statement of Total Recognised Gains & Losses for the year ended 30 June 2009

	Notes	2009 £000	2008 £000
Profit for the year		1,071	583
Unrealised loss on revaluation of property	6	(2,081)	(401)
Actuarial loss in pension scheme	3	(443)	(454)
Total recognised losses relating to the year	17	£(1,453)	£(272)

The notes on pages 12 to 25 form part of these financial statements

as at 30 June 2009

	Notes	The Group 2009 £000	The Group 2008 £000	The Company 2009 £000	The Company 2008 £000
Fixed assets					
Tangible assets	1 & 6	15,931	18,060	10,560	12,025
Investment in subsidiaries	6	-	-	101	101
		15,931	18,060	10,661	12,126
Current assets					
Stock	1 & 7	678	651	468	360
Debtors	8	38,113	37,089	1,622	4,103
Cash at bank and in hand		2,338	2,496	-	-
		41,129	40,236	2,090	4,463
Creditors. amounts falling due within one year	9	(43,847)	(43,054)	(3,604)	(5,874)
Net current liabilities		(2,718)	(2,818)	(1,514)	(1,411)
Total assets less current liabilities		13,213	15,242	9,147	10,715
Creditors. amounts falling due after more than one year	10	(8,740)	(9,362)	(6,531)	(7,089)
Net assets excluding pension liability		4,473	5,880	2,616	3,626
Pension liability	3	(1,921)	(1,875)	-	-
		£2,552	£4,005	£2,616	£3,626
Reserves					
Revaluation reserve	14	716	2,797	-	508
Other reserves	14	900	900	-	-
Profit & loss account	14	936	308	2,616	3,118
		£2,552	£4,005	£2,616	£3,626

These financial statements were approved by the board of directors on 17 December 2009 and signed on its behalf by

D C Banbury

Directors

S A Cooper

The notes on pages 12 to 25 form part of these financial statements

Registered number 912655

for the year ended 30 June 2009

	Notes	2009 £000	2008 £000
Cash inflow from operating activities	19 (a)	1,629	1,058
Returns on investment and servicing of finance	19 (b)	(668)	(652)
Taxation	4	-	-
Capital expenditure and financial investment	19 (b)	(497)	(504)
Cash inflow/(outflow) before use of liquid resources and financing		464	(98)
Financing	19 (b)	(622)	(548)
Decrease in cash in the year		£(158)	£(646)

Reconciliation of net cash flow to movement in net debt	19 (c)		
Decrease in cash in the year		(158)	(646)
Cash outflow from movement in debt		622	548
Net increase in debenture premium accrued		(20)	(27)
Movement in net debt in the year		444	(125)
Net debt at 1 July 2008		(7,592)	(7,467)
Net debt at 30 June 2009		£(7,148)	£(7,592)

1 Accounting Policies

Basis of accounting
The financial statements have been prepared under the historical cost basis of accounting, modified to include the revaluation of freehold land and buildings, in accordance with applicable UK accounting standards

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons The Group meets its day to day working capital requirements through an annually renewed bank facility The directors have prepared projected cash flow information for a period ending at least twelve months from the date of their approval of these financial statements The bank overdraft facility will require renewal in June 2010 and the Group's bankers have confirmed that they are not aware of any reason why that renewal would not be forthcoming on acceptable terms On the basis of this cash flow information the directors consider that the Group will continue to operate within the facilities currently agreed

Basis of consolidation
The consolidated financial statements incorporate those of Associated Independent Stores Limited and all of its subsidiary undertakings for the year

Turnover
Group turnover comprises the following

a Subscription income from member stores
b Income retained from processing transactions on behalf of members through Cenpac
c Merchandise purchased on a direct basis and subsequently invoiced to member stores
d Miscellaneous income

In accordance with the requirements of FRS5 (Application note G Revenue recognition) turnover includes only the element of income retained by the Group from sales to member stores where the Group acted as agent, rather than principal, in the transaction In order to provide additional information the gross transaction value is also shown on the face of the profit and loss account

Tangible fixed assets
Investment properties are held to earn rental income and are carried at open market value

Other property is professionally valued by independent chartered surveyors at market value on an existing use basis Subsequent expenditure and other fixed assets are stated at historical cost

Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows

Freehold buildings	- 5% per annum
Fixtures and equipment	- 25% or 33% per annum
Motor vehicles	- 25% per annum
Computer software	- 25% per annum

Deferred taxation
Deferred tax is provided in respect of all timing differences that have originated, but not reversed, by the balance sheet date except as allowed by FRS19 as detailed below Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date

No provision is made for taxation on the revaluation of freehold property as it is considered unlikely that the property will be sold outside the Group in the foreseeable future

1 Accounting Policies (continued)

Debentures

Debenture holders are entitled upon redemption to a premium which is calculated by way of a formula set out in the relevant debenture trust deed The premium is principally based upon a proportion of the increase in the value of certain group property, on a market value basis Provision for the premium is made in these financial statements based on the estimated value of the property at the final redemption date The premium is charged to the profit and loss account evenly over the remaining term the debentures are in issue

Stock

Stock is valued on a first-in, first-out basis, at the lower of cost and net realisable value

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date Income and expenditure denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date and differences are taken to the profit and loss account

Pensions

The Group operates a personal pension plan and until 31 August 2009, when the scheme was closed to future accrual, a defined benefit scheme The assets of the defined benefit scheme are separate from those of the Group

Pension scheme assets are measured at their current market value Pension scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate based on the current rate of return on a high quality corporate bond of equivalent term and currency to the scheme liabilities The pension scheme deficit is recognised in full in the consolidated Group accounts The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses As a result of the deficit in the defined benefit scheme, the Group is currently paying contributions of £270,000 per annum

The Company participated in the group-wide defined benefit pension scheme which provided benefits based on final pensionable earnings until 31 August 2009 The assets of the scheme are held separately from those of the Company The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 Retirement benefits, accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Member rebate

The member rebate is charged to the profit and loss account in the year in which it is approved by the Board and paid to members

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term Assets held under finance leases are capitalised and shown in tangible fixed assets

Guarantees

The Company is limited by guarantee and not having a share capital, the liability of the members is limited

2 Group Profit on Ordinary Activities

The Group profit is stated after charging		2009 £000	2008 £000
Depreciation		545	560
Gain on disposal of motor vehicle		1	-
Operating lease rentals	Plant and machinery	58	58
	Motor vehicles	162	165

	2009	2008
Auditors' remuneration	£000	£000
Audit of these financial statements	18	17
Audit of financial statements of subsidiaries	19	19
Valuation and actuarial services	13	-
Other services relating to taxation	19	20
	£69	£56
Interest receivable and similar income		
Bank interest receivable	18	48
Interest payable and similar charges		
Bank loans and overdrafts	511	648
Debenture loans	101	101
Debenture premium	46	53
	£658	£802

3 Employees

The average monthly number of Group employees during the year was as follows

	2009 Number	2008 Number
Full-time	133	140
Part-time	25	27
	158	167

Staff costs (excluding directors) during the year amounted to	£000	£000
Wages and salaries	3,640	3,714
Social security costs	409	400
Other pension costs	252	172
	£4,301	£4,286

Directors' remuneration consisted of	£000	£000
Fees and salaries	560	599
Pension contributions	36	35
Other emoluments (including benefits in kind)	12	19
	£608	£653

During the year, no retirement benefits accrued for directors under the defined benefit pension scheme Ordinary directors did not receive any remuneration for their services

Directors' emoluments disclosed above include amounts paid to the highest paid director

	2009 £000	2008 £000
Aggregate emoluments (including benefits in kind)	227	219

The highest paid director was not an active member of a Group pension scheme

3. Employees (continued)

Pension costs

The Group operates a personal pension plan and until 31 August 2009, when the scheme was closed to future accrual, a defined benefit scheme

The funds of the defined benefit scheme are administered by Trustees and are separate from those of the Group An independent actuarial valuation is carried out every three years and annual contributions are paid to the scheme in accordance with the recommendation of the actuary

The total pension costs charged within the financial statements for the year amounted to £288,000 (2008 £207,000), comprising £40,000 defined benefit scheme (2008 £13,000), and £248,000 personal pension plans, life assurance and other costs (2008 £194,000)

The most recent, finalised valuation of the defined benefit scheme was undertaken at 31 March 2008 The assets were valued at market value at close of business on 31 March 2008 at £8,750,000 The assumptions used in valuing the liabilities of the scheme were the investment returns (6 25%) relative to salary increases (3 5%), relative to pension increases, where provided (3 5%)

On this basis the actuarial value of the assets of the scheme represents 73% of benefits due to members, calculated on the basis of projected pensionable earnings and service as at the date of valuation on an 'on-going' basis The actuarial deficit, which amounted to £3,190,000 at 31 March 2008, is being spread over the future working lifetime of members of the scheme

The valuation as at 31 March 2008 has been updated by the actuary on a FRS17 basis as at 30 June 2009 The major assumptions used in this valuation were as follows

	2009	2008
Discount rate	6 60%	6 60%
Inflation assumption	3 30%	3 40%
Rate of increase in salaries	2 50%	2 50%
Rate of increase in pensions in payment	3 10%	3 15%
Revaluation in deferment	3 30%	3 40%
Rate of return on scheme assets	8 30%	8 40%
Post retirement mortality	SAPs 2003 tables with medium cohort improvements	SAPs 2003 light tables medium cohort, 1% pa minimum improvement
Tax free cash	No allowance	No allowance

Under the mortality tables adopted, the assumed future life expectancy is as follows

	2009	2008
Male currently aged 43	86 7	87 2
Female currently aged 43	89 1	89 2
Male currently aged 63	85 4	86 4
Female currently aged 63	88 1	88 3

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which may not necessarily be borne out in practice

3 Employees (continued)

Scheme assets
The major categories of assets as a percentage of total assets were as follows

	2009	2008
Target return funds	99 8%	99 8%
Cash	0 2%	0 2%
Total	100 0%	100 0%

The actual return on the scheme's assets net of expenses during the year to 30 June 2009 was a decrease of 3 8%

The assets do not include any investment in shares of the Company

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes The expected returns for the target return funds are based on the benchmark set by the fund managers

Amounts recognised in the balance sheet

	2009	2008
	£000	£000
Fair value of assets	8,037	8,308
Present value of funded obligations	(9,958)	(10,183)
Deficit prior to deferred taxation	£(1,921)	£(1,875)

Movement in deficit during the year

	2009	2008
	£000	£000
Deficit in scheme at beginning of year	(1,875)	(1,870)
Profit and loss charge	(40)	(13)
Contributions paid	437	462
Actuarial loss	(443)	(454)
Deficit in scheme at end of year	£(1,921)	£(1,875)

Amounts recognised in the statement of total recognised gains and losses

	2009	2008
	£000	£000
Actuarial loss	(443)	(454)

Amounts recognised in the profit and loss account

	2009	2008
	£000	£000
Current service cost	(77)	(92)
Interest cost	(662)	(573)
Expected return on assets	699	652
Total	£(40)	£(13)

3 Employees (continued)

These amounts are recognised in the following line items in the profit and loss account

	2009	2008
	£000	£000
Administration expenses	(77)	(92)
Other finance income	37	79
	£(40)	£(13)

Reconciliation of assets and defined benefit obligation

The changes in the assets during the year were

	2009	2008
	£000	£000
Fair value of assets at beginning of year	8,308	8,260
Expected return on assets	699	652
Contributions paid	437	462
Contributions by scheme participants	107	100
Benefits paid	(499)	(694)
Actuarial loss	(1,015)	(472)
Fair value of assets at end of year	£8,037	£8,308

The changes in the defined benefit obligation ('DBO') during the year were

	2009	2008
	£000	£000
DBO at beginning of year	10,183	10,130
Current service cost	77	92
Contributions by scheme participants	107	100
Interest cost	662	573
Benefits paid	(499)	(694)
Actuarial gain	(572)	(18)
DBO at end of year	£9,958	£10,183

Summary of prior year amounts

	2009	2008	2007	2006	2005
	£000	£000	£000	£000	£000
Present value of DBO	(9,958)	(10,183)	(10,130)	(10,365)	(9,827)
Scheme assets*	8,037	8,308	8,260	7,694	6,760
Deficit	£(1,921)	£(1,875)	£(1,870)	£(2,671)	£(3,067)
Experience losses on scheme liabilities**	(195)	(264)	-	(17)	-
Experience adjustments on scheme assets	(1,015)	(472)	464	316	601

* The assets and corresponding entries for accounting periods up to and including 2007 are based on mid-market values and have not been restated on grounds of materiality

** Experience losses exclude changes to the present value of the defined benefit obligations due to changes to the actuarial assumptions

4. Taxation

The current Group tax charge for the year is £nil (2008 £nil)

The Company has successfully negotiated with the Inland Revenue that it is to be treated as a mutual trading company The consequences of this are that it will not pay corporation tax on the income it derives from trading activities with members nor on any substantiated charges to subsidiary companies The subsidiaries remain liable to corporation tax in the normal way

The actual tax charge for the current year is lower (previous year is lower) than the standard rate of corporation tax of 28% (2008 29 5%) for the reasons set out in the following reconciliation

	2009	2008
	£000	£000
Profit on ordinary activities before taxation	1,071	583
Tax on profit on ordinary activities at UK standard rate of corporation tax of 28% (2008 29 5%)	300	172
Factors affecting charge for the year		
Income from mutual activities	(361)	(388)
Expenses not deductible for tax purposes	5	6
Depreciation (lower than)/ in excess of capital allowances	(10)	1
Depreciation on ineligible assets	3	3
Decrease in other timing differences	-	(1)
Losses carried forward	63	207
Total current Group tax charge for the year	-	-

The Group has tax losses of £2,655,000 (2008 £2,418,000), which have not been recognised in deferred tax, as the Group does not anticipate being able to utilise these in the foreseeable future

In addition, the Group has other deferred tax assets of £56,000 (2008 £67,000), which have not been recognised, as the Group does not expect to recover these in the foreseeable future

The Group has a potential deferred tax asset in respect of the pension deficit of £538,000 (2008 £525,000) which has not been recognised as the Group does not expect to recover this in the foreseeable future

5 Turnover

The Group's turnover was all derived from its principal activities and originated in the United Kingdom

Sales were made in the following geographical markets

	2009	2008
	£000	£000
United Kingdom	16,994	17,444
Republic of Ireland	1,106	886
	£18,100	£18,330

6 Fixed Assets

Tangible assets
The Group

	Freehold Land & Buildings £000	Investment Property £000	Fixtures & Equipment £000	Motor Vehicles £000	Computer Software £000	Total £000
Cost or valuation						
1 July 2008	11,650	5,900	3,216	55	4,551	25,372
Additions	-	86	147	-	264	497
Disposals	-	-	(225)	(36)	(122)	(383)
Revaluation	(1,550)	(786)	-	-	-	(2,336)
At 30 June 2009	10,100	5,200	3,138	19	4,693	23,150
Depreciation						
1 July 2008	128	-	2,942	55	4,187	7,312
Charge for year	127	-	177	-	241	545
Disposals	-	-	(225)	(36)	(122)	(383)
Revaluation	(255)	-	-	-	-	(255)
At 30 June 2009	-	-	2,894	19	4,306	7,219
Net book value						
At 30 June 2009	10,100	5,200	244	-	387	£15,931
At 30 June 2008	11,522	5,900	274	-	364	£18,060

The Company

	Freehold Land & Buildings £000	Fixtures & Equipment £000	Motor Vehicles £000	Computer Software £000	Total £000
Cost or valuation					
1 July 2008	11,650	2,902	55	3,986	18,593
Additions	-	90	-	192	282
Disposals	-	(225)	(36)	(122)	(383)
Revaluation	(1,550)	-	-	-	(1,550)
At 30 June 2009	10,100	2,767	19	4,056	16,942
Depreciation					
1 July 2008	128	2,735	55	3,650	6,568
Charge for year	127	117	-	208	452
Disposals	-	(225)	(36)	(122)	(383)
Revaluation	(255)	-	-	-	(255)
At 30 June 2009	-	2,627	19	3,736	6,382
Net book value					
At 30 June 2009	10,100	140	-	320	£10,560
At 30 June 2008	11,522	167	-	336	£12,025

The Group's freehold land and buildings and investment property were valued on 30 June 2009 by external valuer, Bigwood Associates Limited trading as Bigwood Chartered Surveyors The valuations were in accordance with the requirements of the RICS Valuation Standards and FRS15

The valuation of freehold land and buildings was on the basis of its existing use value assuming that the premises would be sold as part of the continuing business The existing use value was primarily derived using comparable recent market transactions on arm's length terms

6 Fixed Assets (continued)

The valuation of the Group's investment property, Cranmore Place, was on the basis of its market value assuming that the premises would be sold subject to any leases The market value was primarily derived using comparable recent market transactions on arm's length terms

At 30 June 2009 the net book value of assets held by the Company under finance leases and included within fixtures and equipment was £nil (2008 £nil), with a charge for depreciation in the year of £nil (2008 £16,000)

Investment in subsidiary undertakings	The Company	
	2009	2008
	£000	£000
Investment in wholly owned subsidiary undertakings		
Cost	£101	£101

Associated Independent Stores Limited held 100% of the equity in the following companies

Name of Company	Country of Incorporation	Class of Shares held
AIS Property Limited	Great Britain	Ordinary
Cenpac (AIS) Limited	Great Britain	Ordinary
Garden Retailers Organisation Limited	Great Britain	Ordinary
Iconico Limited	Great Britain	Ordinary
INTERSPORT UK Limited	Great Britain	Ordinary
Ultimate Flooring Limited	Great Britain	Ordinary
Associated Independent Stores Trading Limited	Great Britain	Ordinary
Furniture Island Limited	Great Britain	Ordinary
Trade Islands Limited	Great Britain	Ordinary

AIS Property Limited is a property investment company

Present directors Mr J M Harding (Chairman), Miss S A Cooper (Managing), Mrs A H Smith

Cenpac (AIS) Limited trades as a paying agent for other Group companies

Present directors Mr J M Harding (Chairman), Miss S A Cooper (Managing),
Messrs T Deacon, S Longhorne and J C Morris, Mrs A H Smith

Garden Retailers Organisation Limited was a retail buying group for garden centres until 31 July 2009 when its trade and assets were transferred to Iconico Limited at net book value

Present directors Miss S A Cooper (Managing), Mrs A H Smith

Iconico Limited is a trading company for various non-mutual activities

Present directors Miss S A Cooper (Managing), Mrs A H Smith

INTERSPORT UK Limited is a retail buying group for sporting goods retailers

Present directors Miss S A Cooper (Chairman),
Messrs C C Docherty, A D Giblett and P J R Monkhouse, Mrs A H Smith

Ultimate Flooring Limited is a retail buying group for floorcoverings retailers

Present directors Miss S A Cooper (Managing), Mrs A H Smith

Associated Independent Stores Trading Limited is a dormant company

Furniture Island Limited was dissolved under section 652A of the Companies Act 1985 on 28 July 2009

Trade Islands Limited was dissolved under section 652A of the Companies Act 1985 on 17 November 2009

7 Stock

	The Group		The Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Goods for re-sale	£678	£651	£468	£360

8 Debtors

	The Group		The Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Trade debtors	37,339	35,709	239	1,049
Amounts owed by group companies	-	-	904	2,090
Prepayments and accrued income	774	1,380	479	964
	£38,113	£37,089	£1,622	£4,103

9. Creditors

	The Group		The Company	
Amounts falling due within one year	2009	2008	2009	2008
	£000	£000	£000	£000
Bank loans and overdrafts	708	679	1,352	2,547
5% debenture stock	38	47	-	-
Trade creditors	41,333	39,721	630	1,417
Amounts due under finance leases	-	1	-	1
Other creditors including taxation and social security costs	866	649	189	410
Accruals and deferred income	902	1,957	1,433	1,499
	£43,847	£43,054	£3,604	£5,874

10 Creditors

	The Group		The Company	
Amounts falling due after one year	2009	2008	2009	2008
	£000	£000	£000	£000
Bank loans	5,821	6,454	4,471	5,029
5% debenture stock	2,919	2,908	2,060	2,060
	£8,740	£9,362	£6,531	£7,089
Bank loans payable				
Between 1 and 2 years	698	708	548	558
Between 2 and 5 years	5,123	1,613	3,923	1,163
After 5 years	-	4,133	-	3,308
	£5,821	£6,454	£4,471	£5,029
5% debenture stock payable				
Between 1 and 2 years	20	18	-	-
Between 2 and 5 years	2,899	2,890	2,060	2,060
	£2,919	£2,908	£2,060	£2,060

£5 6m of long-term bank loans bear interest at 2% over LIBOR with the remainder bearing interest at 2% over base rate The loans are secured by a first charge on the freehold properties of the Group

£4 0m of bank loans become repayable in January 2014 when the existing loan agreements with the Royal Bank of Scotland plc expire It is envisaged that new loan agreements will be negotiated at this point

10 Creditors (continued)

At 30 June 2009, £859,000 of the original 5% Sheward House debenture stock was repayable after more than one year It is redeemable in December 2012, or earlier at the discretion of the directors, and is secured by a second charge on the freehold land and buildings of the parent company

On 1 August 2006, additional 5% debenture stock was issued to participating members by Associated Independent Stores Limited with proceeds of £2 06m The debenture is redeemable between 2011 and 2016 at the option of the member and is secured by a second charge on Cranmore Place

A premium is payable on redemption of both debentures which is accrued as described in note 1 and included in the amount shown as debenture stock in this note

11. Provisions for Liabilities

Deferred taxation provided for in the accounts is £nil (2008 £nil), and the unprovided liability is £nil (2008 £nil)

No provision has been made in respect of the liability to tax if the freehold properties were disposed of outside the Group at the balance sheet value as this event is considered by the directors to be too remote Any such gain liable to tax would be available for roll-over relief into another property

12. Bank Overdraft

The overdraft facilities of the Company and all trading subsidiaries are subject to unlimited cross guarantees The bank holds a charge over the guarantees given to the Company by the members and over Cenpac (AIS) Limited's purchasing agreements with members It is also secured by a first charge on the freehold properties of the Group and a charge over all the other assets of Group companies with the exception of Cenpac (AIS) Limited

13 Member Guarantees

The total amount of guarantees given by members to the Company is £694,000 (2008 £717,000)

14. Reserves

The Group	Revaluation reserve	General reserve for bad debts	Profit & loss account	Total
	£000	£000	£000	£000
At 1 July 2008	2,797	900	308	4,005
Profit for the year	-	-	1,071	1,071
Revaluation	(2,081)	-	-	(2,081)
Actuarial loss recognised in pension scheme	-	-	(443)	(443)
At 30 June 2009	£716	£900	£936	£2,552

	2009	2008
	£000	£000
Profit & loss account excluding pension liability	2,857	2,183
Pension liability	(1,921)	(1,875)
Profit & loss account including pension liability	£936	£308

14. Reserves (continued)

The Company	Revaluation reserve	Profit & loss account	Total
	£000	£000	£000
At 1 July 2008	508	3,118	3,626
Profit for the year	-	285	285
Revaluation	(508)	(787)	(1,295)
At 30 June 2009	-	£2,616	£2,616

15 Commitments under Operating Leases

At 30 June 2009 there were annual commitments of the Group and Company under operating leases as set out below

	The Group		The Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Plant and machinery				
Expiring between 1 and 5 years	58	58	58	58
Motor vehicles				
Expiring within 1 year	24	30	15	21
Expiring between 1 and 5 years	92	115	67	95
	£174	£203	£140	£174

16 Contingent Liabilities

	The Group		The Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Guarantee of bank loans and overdrafts of group companies	-	-	4,106	3,783
Potential liability under group VAT registration	-	-	201	238
Amounts due under forward currency contracts	520	381	520	381
	£520	£381	£4,827	£4,402

At 30 June 2009, the fair value of amounts due under forward currency contracts was £487,000 (2008 £377,000) resulting in a potential liability of £33,000 (2008 £4,000) The directors have not made a provision for the diminution in value of these assets as they are not impaired

The directors have considered the material risks facing the Group in the areas of interest rate risk, cash flow risk, credit risk, liquidity risk and foreign currency risk

Interest rate and cash flow risk
The Group has reduced its exposure to interest rate and cash flow risks by using an interest rate collar to protect £4 5m of its loans from significant increases in interest rates All other cash deposits and bank loans/ overdrafts bear interest at rates linked to LIBOR or base rate

16 Contingent Liabilities (continued)

Credit risk
The Group has procedures in place to monitor the financial performance of members on a regular basis and takes appropriate steps should the financial status of a member change In addition, prospective members must satisfy certain financial criteria prior to joining

Liquidity risk
Liquidity risk is the risk that the Group might be unable to meet its obligations as they fall due Cash flows and available balances are monitored on a daily basis and forecasts prepared to ensure sufficient funds are available In addition, compliance with banking covenants is monitored on a regular basis The Group maintains a mixture of long-term and short-term debt finance which is designed to ensure that the Group has sufficient available funds for operations

Foreign currency risk
The foreign currency exposure of the Group is low because the vast majority of foreign currency purchases are made on behalf of members with any exchange rate movements passed on to them Forward contracts are used to enable the price for members to be fixed in advance of payment for the goods

17. Reconciliation of Movement in Reserves

	The Group		The Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Profit for the year	1,071	583	285	705
Unrealised loss on revaluation of property	(2,081)	(401)	(1,295)	-
Actuarial loss in pension scheme	(443)	(454)	-	-
Net (reduction)/addition to reserves	(1,453)	(272)	(1,010)	705
Opening reserves	4,005	4,277	3,626	2,921
Closing reserves	£2,552	£4,005	£2,616	£3,626

The Company is taking advantage of the exemption conferred by section 230 of the Companies Act 1985 in not publishing its own profit and loss account Its profit for the year is shown above

18 Related Party Transactions

During the year the Company undertook transactions on an arm's length basis with member companies in which the directors have an interest The aggregate value of the transactions processed was £35,841,000 (2008 £28,686,000) and the aggregate value of the outstanding balances at the year end was £3,632,000 (2008 £2,212,000)

19 (a) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2009	2008
	£000	£000
Operating profit	1,674	1,258
Depreciation	545	560
(Increase)/decrease in stock	(27)	8
Increase in debtors	(1,024)	(4,240)
Increase in creditors	461	3,472
Net cash inflow from operating activities	£1,629	£1,058

19 (b) Analysis of Cashflows

	2009	2008
Returns on investment and servicing of finance	£000	£000
Interest received	18	48
Interest paid	(658)	(675)
Debenture premium paid	(28)	(25)
Net cash outflow for returns on investment and servicing of finance	£(668)	£(652)
Capital expenditure and financial investment		
Purchase of fixed assets	(497)	(504)
Net cash outflow for capital expenditure and financial investment	£(497)	£(504)
Financing		
Repayment of loans	(604)	(531)
Redemption of debentures	(18)	(17)
Net cash outflow for financing	£(622)	£(548)

19 (c) Analysis of Net Debt

	At 1 July 2008	Cashflow	Net increase in accrued premium	At 30 June 2009
	£000	£000	£000	£000
Cash at bank and in hand	2,496	(158)	-	2,338
Bank loans	(7,133)	604	-	(6,529)
Debentures	(2,955)	18	(20)	(2,957)
	£(7,592)	£464	£(20)	£(7,148)

20 Capital commitment

At 30 June 2009 the Group had contracted capital expenditure, not provided, of £35,000 (2008 £29,000)