Associated Independent Stores Limited

Directors' report and financial statements

For the year ended 30 June 2015

Registered number 912655

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Contents

Directors & Officers

Directors

Executive		Ordinary	
S A Cooper	**(Managing)**	**I R G Philp**	**(Chairman)**
P N Mallinson		**M Bent**	
S Potter-Price		**S C Bradley**	
D Standing		**P A Harding**	
		I A Kells	
		A B Richards	
		M D Roome	
		J S Shotton	

Secretary and Registered Office

V Chegwidden
Cranmore Park, Cranmore Avenue, Shirley, Solihull, West Midlands B90 4LF
Registered in England, No. 912655

Auditor

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

Solicitors

Hewitson Moorhead, Solicitors
Kildare House, 3 Dorset Rise, London EC4Y 8EN

Bankers

Lloyds TSB Bank plc
125 Colmore Row, Birmingham B3 3SF

Subsidiary Companies

AIS Property Limited	Property investment company
Cenpac (AIS) Limited	Paying agent for member stores
Iconico Limited	Trading company (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
Garden Retailers Organisation Limited	Dormant company

All companies are incorporated in Great Britain

Notice of Annual General Meeting

Notice is hereby given that the 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 25 April 2016 commencing at 9.30am for the following purposes:

1. To receive the directors' report and audited accounts for the year ended 30 June 2015.

2. To elect directors.

3. To transact any other business.

By Order of the Board
V Chegwidden
Secretary

Cranmore Park
Cranmore Avenue
Shirley
Solihull
West Midlands
B90 4LF

11 November 2015

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.

Strategic Report

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

The result for the year is shown in the attached profit and loss account.

In addition to the buying group function for fashion and home product categories the overall group comprises specialist buying groups for flooring, sporting goods retailers and toys. It also operates as a paying agent, property company and a conference and events venue.

The Group has a wide portfolio of members operating in several markets with no one market representing more than 50% of Cenpac throughput. At 30 June 2015 the Group had 348 members representing over 1300 stores with a combined retail value of over £2bn. This member mix, in addition to the diversity of the group activities, is a significant benefit in spreading the commercial risks of the group.

The directors believe that the most important performance indicators are the increase in Cenpac throughput and profit for the year. The total value of invoices processed through Cenpac during the year was £477m (net of VAT) which was an increase of 4.4% over the previous year. Profit on ordinary activities before taxation, member rebate and bad debt increased by 12.6% over the previous year to £2.3m. Bad debts of £214k crystallised during the year when two separate AIS members went into administration which reduced the profit to £2.1m before member rebate of £550k. All suppliers were paid in full in accordance with their Cenpac agreement. Based on the Group result for the financial year the Board has decided to pay a rebate to members of £600,000 in February 2016 (2015 £550,000). This rebate will be distributed to AIS members in proportion to their Cenpac turnover.

Over the years the large exhibition space has been extended and enhanced to increase capacity, flexibility and quality for our internal and external customers. This facility, along with other conference suites and meeting rooms in the building, generates over £2m income per year. A 1.8 acre plot of land around the corner from Cranmore Park was acquired during the year to provide extra parking to support the exhibition centre. Full planning permission for 220 parking spaces was granted in May 2015 and the car park has now come into use. We believe that this new development will help to secure the future growth of our exhibition centre.

Cranmore Place, our 40,000 sq ft investment property, has ten suites and all of those are now occupied with three suites having been let in the period since January 2015. The level of interest in the property indicates that the commercial property market is improving.

Merchandise remains the key focus for the Group with new opportunities continually being sought to increase buying power. Furniture is the largest merchandise category and Cenpac turnover improved again during the year following the continued rise in consumer confidence. The increase in Cenpac throughput in this category was 7.1% over the previous year to £202m and it accounted for 42% of Group turnover. In addition to subsidiary company categories other key product categories are fashion, housewares and linens.

INTERSPORT had 83 members at the year end operating out of 270 stores. Cenpac turnover for the year was £103m which was an increase of 1.2% over the previous year. The continued expansion of larger members helps to raise the profile of INTERSPORT which is estimated to hold 4% of the sporting goods market in the UK.

Flooring One had 137 members operating 197 outlets at the end of the year. A number of new members joined during the year and this along with an improved performance from existing members led to a Cenpac throughput increase of over 18% to £30.5m.

plaY-room, the Group's toy division, is now in its seventh year of operation and has a 4% share of Cenpac. By the end of the year it had 80 members with 199 outlets and continues to see growth in the garden centre sector. Its Cenpac turnover for 2014/15 was £17.5m which was over 3.1% higher than the previous year. The Far East imports programme remains an important part of the offer providing exclusivity as well as competitive prices.

Other services offered by the Association are all intended to improve members' profitability and include marketing, procurement and training.

Strategic Report

Future Outlook
The directors are confident that the Group will continue to thrive in the coming year as many existing members report increases in turnover and the enhanced margins and the support available from a buying group continues to attract high quality independent retailers to membership. It is clear that the most likely source of new members in the future will be furniture retailers and garden centres who meet our strict joining criteria. The first quarter of the new financial year shows an increase in Group Cenpac turnover of 4.1% over the previous year.

Our diverse business model has proved to be robust in the recent challenging times and we are confident that this will continue to be the case. The Group remains committed to supporting members and taking every opportunity to improve the benefits available to them.

Principal risks and uncertainties
Although the economy continues to show signs of recovery, risk management remains a high priority for the Group. The nature of the business and the day to day involvement of the directors ensures that business risks are quickly identified and in response the Board continues to develop policies and procedures designed to identify, mitigate and manage risks and uncertainties. The directors therefore believe that the Group is well placed to successfully deal with any challenges that may arise.

The foreign currency exposure of the Group is low because the majority of foreign purchases are made on behalf of members. Where possible forward contracts are used to enable the price for members to be fixed in advance of payment for the goods.

The pension liability of the Group is under continual review and the directors are actively managing the position.

Liquidity risk is the risk that the Group might be unable to meet its obligations as they fall due. However, 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 there are sufficient funds available for operations. The company's debt is being repaid as forecast.

The company 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 strict financial criteria prior to joining.

The company is mindful of its social responsibilities and works to reduce its carbon footprint wherever possible. Cost savings continue to be made by management to maintain and increase profitability and cash flow. It is by achieving this that the Group's members, employees and suppliers will continue to benefit for the long term.

By Order of the Board

S.A Cooper

Approved by the Board on 11 November 2015

Chairman's Statement

AIS had a very successful year with a record surplus of £2.1m before member rebate being achieved.

During 2014/15 Cenpac throughput increased to its highest ever level with good growth shown in most merchandise categories. Furniture, the largest sector of the business, delivered an increase in throughput against 2013/14 of over 7%. The group's subsidiary businesses all showed growth on Cenpac throughput over the previous year with Flooring One finishing the year particularly strongly. AIS has a strong and diverse business base and the majority of the independently owned businesses within the group membership have remained resilient during difficult trading times and have contributed to the stability of the organisation.

I am pleased to announce a member rebate of £600,000 which will be paid in February 2016.

The AIS team, led by Sheila Cooper, the Managing Director, is committed to supporting members and ensuring that they maximise the benefits available. On behalf of the membership I would like to thank all of the staff for their valued contribution.

Anthony Ryan and Guy Topping retired from the Board during the year and I am grateful to them for their contribution to the Association. Matthew Bent and Ian Kells were appointed in their place at the AGM and I look forward to working with them in the future.

The Association only achieves its success with the support of its members and once again we have been delighted to see a number of high quality independent retailers join the group. I am confident that the Association will continue to prosper and provide an excellent level of service to its members in the coming year.

Ian Philp

11 November 2015

Directors' Report

The directors have pleasure in submitting their report and audited financial statements for the year ended 30 June 2015.

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

The directors are responsible for preparing the strategic report, 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.

Directors

The directors during the course of the year were:

M Bent	(appointed 27 April 2015)	S Potter-Price	
S C Bradley		A B Richards	
S A Cooper		M D Roome	
P A Harding		A M Ryan	(retired 27 April 2015)
J A Kells	(appointed 27 April 2015)	J S Shotton	
P N Mallinson		D Standing	
I R G Philp		G Topping	(retired 27 April 2015)

At the next Annual General Meeting Mr Harding and Mr Roome will retire by rotation.

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.

Disclosure of Information to Auditor

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 auditor is 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 auditor is aware of that information.

Directors' Report
(continued)

Auditor

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

By Order of the Board

V. Chegwidden

V Chegwidden
Secretary

11 November 2015

Independent Auditor's Report

We have audited the Group and parent company financial statements of Associated Independent Stores Limited for the year ended 30 June 2015 set out on pages 10 to 26. 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 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 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2015 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 matters prescribed by the Companies Act 2006

In our opinion 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

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.

Stuart Wood (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

11 November 2015

Consolidated Profit & Loss Account

for the year ended 30 June 2015

	Notes	2015 £000	2014 £000
Gross transaction value		501,320	480,049
Less throughput from member stores		(473,946)	(453,760)
Turnover	1 & 5	27,374	26,289
Cost of sales		(14,312)	(13,935)
Gross profit		13,062	12,354
Distribution costs		(205)	(240)
Administration expenses		(10,510)	(9,899)
		(10,715)	(10,139)
Member rebate paid in year	1	(550)	(500)
Group operating profit		1,797	1,715
Interest receivable and similar income	2	12	12
Interest payable and similar charges	2	(398)	(404)
Other finance income	3	141	88
		(245)	(304)
Recognition of permanent diminution in building value	6	(287)	(300)
Profit on ordinary activities before taxation	2	1,265	1,111
Taxation	4	-	-
Profit for the year	14	1,265	1,111

Note on Historical Cost Profits

	2015 £000	2014 £000
Reported profit on ordinary activities before taxation	1,265	1,111
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	4	4
Historical cost profit on ordinary activities before taxation	1,269	1,115
Historical cost profit retained	1,269	1,115

Statement of Total Recognised Gains & Losses for the year ended 30 June 2015

	Notes	2015 £000	2014 £000
Profit for the year		1,265	1,111
Actuarial loss in pension scheme	3	(1,295)	(1,207)
Total recognised (losses)/gains relating to the year		(30)	(96)

The notes on pages 13 to 26 form part of these financial statements.

Consolidated Balance Sheet

as at 30 June 2015

	Notes	The Group 2015 £000	The Group 2014 £000	The Company 2015 £000	The Company 2014 £000
Fixed assets					
Intangible assets	1 & 6	18	24	18	24
Tangible assets	1 & 6	16,545	15,818	10,981	10,156
Investment in subsidiaries	6	-	-	-	101
		16,563	15,842	10,999	10,281
Current assets					
Stock	1 & 7	1,352	2,096	920	996
Debtors	8	40,868	40,527	7,372	3,906
Cash at bank and in hand		1,911	2,823	-	-
		44,131	45,446	8,292	4,902
Creditors: amounts falling due within one year	9	(49,297)	(48,593)	(9,632)	(5,360)
Net current liabilities		(5,166)	(3,147)	(1,340)	(458)
Total assets less current liabilities		11,397	12,695	9,659	9,823
Creditors: amounts falling due after more than one year	10	(1,680)	(3,900)	(1,680)	(2,770)
Net assets excluding pension liability		9,717	8,795	7,979	7,053
Pension liability	3	(4,528)	(3,863)	-	-
Net Assets		5,189	4,932	7,979	7,053
Reserves					
Revaluation reserve	14	1,691	1,404	-	-
Other reserves	14	900	900	-	-
Profit & loss account	14	2,598	2,628	7,979	7,053
	17	5,189	4,932	7,979	7,053

These financial statements were approved by the board of directors on 11 November 2015 and signed on its behalf by:

I R G Philp

Directors

S A Cooper

The notes on pages 13 to 26 form part of these financial statements.

Registered number 912655

Consolidated Cash Flow Statement

for the year ended 30 June 2015

	Notes	2015 £000	2014 £000
Cash inflow from operating activities	19 (a)	1,606	1,876
Returns on investment and servicing of finance	19 (b)	(386)	(392)
Capital expenditure and financial investment	19 (b)	(1,411)	(859)
Cash inflow before use of liquid resources and financing		(191)	625
Financing	19 (b)	(721)	(696)
(Decrease) in cash in the year		(912)	(71)

	Notes	2015 £000	2014 £000
Reconciliation of net cash flow to movement in net debt	19 (c)		
(Decrease) in cash in the year		(912)	(71)
Cash outflow from movement in debt		721	694
Movement in net debt in the year		(191)	623
Net debt at 1 July 2014		(1,778)	(2,401)
Net debt at 30 June 2015		(1,969)	(1,778)

The notes on pages 13 to 26 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

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

Going concern
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 overdraft 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 was renewed in May 2015 for a further 12 months. 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 preparation
The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of freehold land and buildings.

Investment properties
In accordance with Statement of Standard Accounting Practice No.19:

a. Investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; and
b. No depreciation is provided in respect of freehold investment properties.

This treatment, as regards the Group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of tangible fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Intangible fixed assets and amortisation
Intangible fixed assets purchased separately from a business are capitalised at their cost.

Trademarks purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of four years.

Tangible fixed assets
Investment properties are held to earn rental income and are carried at open market value (see above).

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%/10% per annum
Fixtures and equipment	25% per annum
Motor vehicles	25% per annum
Computer software	25% per annum

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases
Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the Financial Statements
(continued)

1. Accounting Policies (continued)

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.

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.

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

Deferred taxation
Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19. 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.

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 30 June 2012. The premium is charged to the profit and loss account evenly over the remaining term the debentures are in issue.

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. Space rental.
e. 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.

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.

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

Notes to the Financial Statements
(continued)

2. Group Profit on Ordinary Activities Before Taxation

The Group profit on ordinary activities before taxation is stated after charging/(crediting):		2015	2014
		£000	£000
Depreciation		684	697
Amortisation		6	1
Operating lease rentals:	Plant and machinery	102	114
	Motor vehicles	146	145

	2015	2014
Auditor's remuneration:	£000	£000
Audit of these financial statements	23	22
Audit of financial statements of subsidiaries	25	23
Other services relating to taxation	21	14
	69	59
Interest receivable and similar income:		
Bank interest receivable	12	12
Interest payable and similar charges:		
Bank loans and overdrafts	308	311
Debenture loans	90	93
Debenture premium	-	-
	398	404

3. Employees

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

	2015 Number	2014 Number
Full-time	118	113
Part-time	39	38
	157	151

Staff costs (excluding directors) during the year amounted to:	£000	£000
Wages and salaries	3,773	3,654
Social security costs	472	460
Other pension costs	369	344
	4,614	4,458

Directors' remuneration consisted of:	£000	£000
Fees and salaries	597	580
Pension contributions	93	88
Other emoluments (including benefits in kind)	16	12
	706	680

Ordinary directors did not receive any remuneration for their services.

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

	2015 £000	2014 £000
Aggregate emoluments (including benefits in kind)	254	249

Retirement benefits are accruing to the following number of directors under:

	2015 Number	2014 Number
Defined contribution scheme	3	3

Notes to the Financial Statements
(continued)

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 contributions are paid to the scheme in accordance with the recommendation of the actuary. The Group is currently paying contributions of £543,000 per annum.

The total pension costs charged within the financial statements for the year amounted to £442,000 (2014: £444,000), comprising £583,000 personal pension plans and other costs (2014: £532,000) offset by £141,000 credit from the defined benefit scheme (2014: £88,000 credit).

The most recent, finalised valuation of the defined benefit scheme was undertaken at 31 March 2014. The assets were valued at market value at close of business on 31 March 2014 at £10,451,000. The assumptions used in valuing the liabilities of the scheme were the investment returns (5.0%) relative to salary increases (2.8%), relative to pension increases, where provided (2.8%).

On this basis the actuarial value of the assets of the scheme represented 70% 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 £5,466,000 at 31 March 2014, is being spread over the future working lifetime of members of the scheme.

The valuation as at 31 March 2014 has been updated by the actuary on a FRS17 basis as at 30 June 2015. The major assumptions used in this valuation were as follows:

	2015	2014
Discount rate	4.10%	4.60%
Inflation assumption	2.80%	3.30%
Rate of increase in pensions in payment	2.90%	3.20%
Revaluation in deferment	2.80%	3.30%
Rate of return on scheme assets	7.50%	7.50%
Post retirement mortality	110% of the SAPS S1NA year of birth tables with CMI 2014 projections and a long term rate of improvement of 1.25% pa for males and 1.0% pa for females	SAPs 2003 tables with medium cohort improvements
Tax free cash	90% of members assumed to take one quarter of pension as tax free cash	75% of members assumed to take one quarter of pension as tax free cash

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

	2015	2014
Male currently aged 43	88.2	86.7
Female currently aged 43	90.2	89.1
Male currently aged 63	86.5	85.4
Female currently aged 63	88.7	88.1

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:

	2015	2014
Target return funds	100.0%	100.0%
Cash	0.0%	0.0%
Total	100.0%	100.0%

The actual return on the scheme's assets net of expenses during the year to 30 June 2015 was an increase of 4.8%.

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

	2015	2014
	£000	£000
Fair value of assets	11,053	10,601
Present value of funded obligations	(15,581)	(14,464)
Deficit prior to deferred taxation	(4,528)	(3,863)

Movement in deficit during the year

	2015	2014
	£000	£000
Deficit in scheme at beginning of year	(3,863)	(3,412)
Profit and loss credit	141	88
Contributions paid	489	668
Actuarial loss	(1,295)	(1,207)
Deficit in scheme at end of year	(4,528)	(3,863)

Amounts recognised in the statement of total recognised gains and losses

	2015	2014
	£000	£000
Actuarial loss	(1,295)	(1,207)

Amounts recognised in the profit and loss account

	2015	2014
	£000	£000
Interest cost	(652)	(648)
Expected return on assets	793	736
Total	141	88

Notes to the Financial Statements
(continued)

3. Employees (continued)

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

	2015	2014
	£000	£000
Other finance income	141	88

Reconciliation of assets and defined benefit obligation

The changes in the assets during the year were:

	2015	2014
	£000	£000
Fair value of assets at beginning of year	10,601	9,886
Expected return on assets	793	736
Contributions paid	489	668
Contributions by scheme participants	-	-
Benefits paid	(543)	(588)
Actuarial (loss)/gain	(287)	(101)
Fair value of assets at end of year	11,053	10,601

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

	2015	2014
	£000	£000
DBO at beginning of year	14,464	13,298
Interest cost	652	648
Benefits paid	(543)	(588)
Actuarial loss	1,008	1,106
DBO at end of year	15,581	14,464

Summary of prior year amounts

	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Present value of DBO	(15,581)	(14,464)	(13,298)	(12,574)	(12,023)
Fair value of scheme assets	11,053	10,601	9,886	9,126	9,418
Deficit	(4,528)	(3,863)	(3,412)	(3,448)	(2,605)

Notes to the Financial Statements
(continued)

4. Taxation

The current Group tax charge for the year is £nil (2014: £nil).

The Company has successfully negotiated with HM Revenue & Customs 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 20.75% (2014: 22.50%) for the reasons set out in the following reconciliation:

	2015 £000	2014 £000
Profit on ordinary activities before taxation	1,265	1,111
Tax on profit on ordinary activities at UK standard rate of corporation tax of 20.75% (2014: 22.50%)	263	250
Factors affecting charge for the year:		
Income from mutual activities	(471)	(413)
Expenses not deductible for tax purposes	61	70
Depreciation in excess of capital allowances	33	36
Fixed asset differences	109	11
Unrelieved tax losses and other deductions in the period	5	46
Total current Group tax charge for the year	-	-

The Group has tax losses of £2,840,000 (2014: £2,798,000), 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 £748,000 (2014: £697,000), 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 £906,000 (2014: £811,000) which has not been recognised as the Group does not expect to recover this in the foreseeable future.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The unrecognized deferred tax asset at 30 June 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

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:

	2015 £000	2014 £000
United Kingdom	23,674	22,838
Republic of Ireland	3,700	3,451
	27,374	26,289

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 2014	9,500	5,200	3,193	11	1,790	19,694
Additions	1,034	-	204	-	173	1,411
Write off	-	-	(204)	-	(206)	(410)
At 30 June 2015	10,534	5,200	3,193	11	1,757	20,695
Depreciation						
1 July 2014	192	-	2,155	11	1,518	3,876
Charge for year	100	-	454	-	130	684
Write off	-	-	(204)	-	(206)	(410)
At 30 June 2015	292	-	2,405	11	1,442	4,150
Net book value						
At 30 June 2015	10,242	5,200	788	-	315	16,545
At 30 June 2014	9,308	5,200	1,038	-	272	15,818

The Company

	Freehold Land & Buildings £000	Fixtures & Equipment £000	Motor Vehicles £000	Computer Software £000	Total £000
Cost or valuation					
1 July 2014	9,500	2,194	11	1,062	12,767
Additions	1,034	184	-	135	1,353
Write off	-	(204)	-	(204)	(408)
At 30 June 2015	10,534	2,174	11	993	13,712
Depreciation					
1 July 2014	192	1,570	11	838	2,611
Charge for year	100	319	-	109	528
Write off	-	(204)	-	(204)	(408)
At 30 June 2015	292	1,685	11	743	2,731
Net book value					
At 30 June 2015	10,242	489	-	250	10,981
At 30 June 2014	9,308	624	-	224	10,156

The Group's freehold land and buildings and investment property were valued on 30 June 2012 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, Cranmore Park, 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. As at 30 June 2012 the estimated useful life of Cranmore Park was agreed by the directors to be twenty years.

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. The value was confirmed at £5.2m and the Board have now recognised all of the temporary revaluation deficit shown in the 2011 accounts as permanent. The directors considered the carrying value of the investment property as at 30 June 2015 and concluded that no adjustment was necessary.

At 30 June 2015 the net book value of assets held by the Group under finance leases and included within fixtures and equipment was £nil (2014: £nil), with a charge for depreciation in the year of £nil (2014: £nil).

Notes to the Financial Statements
(continued)

6. Fixed Assets (continued)

Intangible fixed assets
The Group and company

	Trademarks £000
Cost or valuation	
1 July 2014	25
Additions	-
At 30 June 2015	25
Amortisation	
1 July 2014	1
Charge for year	6
At 30 June 2015	7
Net book value	
At 30 June 2015	18
At 30 June 2014	24

Trademarks purchased separately from a business are amortised over 4 years, being the period until expiry of the legal rights.

Investment in subsidiary undertakings	The Company 2015 £000	2014 £000
Investment in wholly owned subsidiary undertakings:		
Cost at beginning and end of the year	101	101
Provisions		
At the beginning of the year	-	-
Charge for the year	101	-
At the end of the year	101	-
Net book value	-	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
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
Garden Retailers Organisation Limited	Great Britain	Ordinary

Notes to the Financial Statements
(continued)

6. Fixed Assets (continued)

AIS Property Limited is a property investment company.

Present directors: Miss S A Cooper (Managing); Mrs S Potter-Price

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

Present directors: Miss S A Cooper (Managing);
Messrs T Deacon; S Longhorne, J C Morris and J N Stoker (Chairman); Mrs S Potter-Price

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

Present directors: Miss S A Cooper (Managing); Mrs S Potter-Price

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

Present directors: Mr A D Giblett (Chairman); Miss S A Cooper (Managing);
F Patterson; P J R Monkhouse and A N Pointer; Mrs S Potter-Price

Ultimate Flooring Limited is a retail buying group for floorcoverings retailers.

Present directors: Miss S A Cooper (Managing); Mrs S Potter-Price

Associated Independent Stores Trading Limited is a dormant company.

Garden Retailers Organisation Limited is a dormant company.

7. Stock

	The Group		The Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Goods for re-sale	1,352	2,096	920	996

8. Debtors

	The Group		The Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade debtors	40,053	39,730	385	539
Amounts owed by group companies	-	-	6,428	2,963
Prepayments and accrued income	815	797	559	404
	40,868	40,527	7,372	3,906

9. Creditors

	The Group		The Company	
Amounts falling due within one year	2015	2014	2015	2014
	£000	£000	£000	£000
Bank loans and overdrafts	2,100	601	4,416	1,209
5% debenture stock	100	100	100	100
Trade creditors	45,770	46,404	1,345	1,684
Amounts owing to group companies	-	-	3,098	1,785
Other creditors including taxation and social security costs	735	921	211	205
Accruals and deferred income	592	567	462	377
	49,297	48,593	9,632	5,360

Notes to the Financial Statements
(continued)

10. Creditors

Amounts falling due after one year	The Group 2015 £000	The Group 2014 £000	The Company 2015 £000	The Company 2014 £000
Bank loans	-	2,100	-	970
5% debenture stock	1,680	1,800	1,680	1,800
	1,680	3,900	1,680	2,770
Bank loans payable				
Between 1 and 2 years	-	601	-	266
Between 2 and 5 years	-	1,499	-	704
	-	2,100	-	970
5% debenture stock payable				
Between 1 and 2 years	1,680	-	1,680	-
Between 2 and 5 years	-	1,800	-	1,800
	1,680	1,800	1,680	1,800

The £2.1m of loan agreements with Lloyds TSB Bank plc bear interest at 2.10% over LIBOR (2014: 2.10% over LIBOR). The loans were secured by a first charge on the freehold properties of the Group.

On 1 August 2006, 5% debenture stock was issued to participating members by Associated Independent Stores Limited with proceeds of £2.06m. The debenture is redeemable between August 2011 and December 2016 at the option of the member on giving twelve months' notice and is secured by a second charge on Cranmore Place. At 30 June 2015 £100,000 was repayable within one year.

Any premium due on redemption of these debentures would be accrued as described in note 1 and included in the amount shown as debenture stock in this note. No premium is currently payable.

11. Provisions for Liabilities

Deferred taxation provided for in the accounts is £nil (2014: £nil), and the unprovided liability is £nil (2014: £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 also has a first charge on the freehold properties of the Group and a charge over all the other assets of Group companies.

13. Member Guarantees

The total amount of guarantees given by members to the Company is £718,500 (2014: £735,000).

Notes to the Financial Statements
(continued)

14. Reserves

The Group	Revaluation reserve	General reserve for bad debts	Profit & loss account	Total
	£000	£000	£000	£000
At 1 July 2014	1,404	900	2,628	4,932
Profit for the year	-	-	1,265	1,265
Revaluation	287	-	-	287
Actuarial loss recognised in pension scheme	-	-	(1,295)	(1,295)
At 30 June 2015	1,691	900	2,598	5,189

	2015	2014
	£000	£000
Profit & loss account excluding pension liability	7,126	6491
Pension liability	(4,528)	(3,863)
Profit & loss account including pension liability	2,598	2,628

The Company	Balance at 1 Jul 2014	Profit for the year	Balance at 30 Jun 2015
	£000	£000	£000
Profit for the year	7,053	926	7,979

15. Commitments under Operating Leases

At 30 June 2015 there were annual commitments of the Group and Company under operating leases as set out below:

	The Group		The Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Plant and machinery				
Expiring between 1 and 5 years	114	114	102	114
Motor vehicles				
Expiring within 1 year	70	53	49	35
Expiring between 1 and 5 years	109	95	77	66
	293	262	228	215

16. Contingent Liabilities

	The Group		The Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Guarantee of bank loans and overdrafts of group companies	-	-	6,380	6,299
Potential liability under group VAT registration	-	-	818	1,015
	-	-	7,198	7,314

At 30 June 2015, the fair value of amounts due under forward currency contracts was £954,000 resulting in a £36,000 gain (2014: Amounts due under forward currency contracts was £585,000 resulting in a £26,000 loss).

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:

Notes to the Financial Statements
(continued)

16. Contingent Liabilities (continued)

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 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.

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 majority of foreign currency purchases are made on behalf of members. Forward contracts may be 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	
	2015	2014	2015	2014
	£000	£000	£000	£000
Profit for the year	1,265	1,111	926	770
Actuarial loss in pension scheme	(1,295)	(1,207)	-	-
Revaluation	287	300	-	-
Net increase in reserves	257	204	926	770
Opening reserves	4,932	4,728	7,053	6,283
Closing reserves	5,189	4,932	7,979	7,053

The Company is taking advantage of the exemption conferred by section 408 of the Companies Act 2006 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 £38,445,000 (2014: £28,467,000) and the aggregate value of the outstanding balances at the year end was £2,919,000 (2014: £4,859,000).

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

	2015	2014
	£000	£000
Operating profit	1,797	1,715
Depreciation and amortisation	690	697
Decrease/(Increase) in stock	744	(1,001)
(Increase) in debtors	(341)	(2,547)
(Decrease)/Increase in creditors	(795)	3,680
Movements in pension scheme affecting operating activities	(489)	(668)
Net cash inflow from operating activities	1,606	1,876

19. (b) Analysis of Cashflows

	2015	2014
Returns on investment and servicing of finance	£000	£000
Interest received	12	12
Interest paid	(398)	(404)
Net cash outflow for returns on investment and servicing of finance	(386)	(392)
Capital expenditure and financial investment		
Purchase of fixed assets	(1,411)	(859)
Net cash outflow for capital expenditure and financial investment	(1,411)	(859)
Financing		
Repayment of loans	(601)	(606)
Redemption of debentures	(120)	(90)
Net cash outflow for financing	(721)	(696)

19. (c) Analysis of Net Debt

	At 1 July 2014	Cashflow	At 30 June 2015
	£000	£000	£000
Cash at bank and in hand	2,823	(912)	1,911
Bank loans	(2,701)	601	(2,100)
Debentures	(1,900)	120	(1,780)
	(1,778)	(191)	(1,969)

20. Capital Commitments

At 30 June 2015 the Group had contracted capital expenditure not provided for of £nil (2014: £nil).