Associated Independent Stores Limited

Directors' report and financial statements

For the year ended 30 June 2014

Registered number 912655

Contents

Directors & Officers

Directors

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

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

Moorhead James LLP, 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 27 April 2015 commencing at 9.30am for the following purposes:

1. To receive the directors' report and audited accounts for the year ended 30 June 2014.

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

12 November 2014

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, sports goods retailers, toys, 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 2014 the Group had 353 members representing over 1000 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 £456m (net of VAT) which was an increase of 7.8% over the previous year. Profit on ordinary activities before taxation, member rebate and bad debt was up 2% on the previous year at £2.06m. A bad debt of £145k was incurred during the year when an AIS member went into administration which reduced the profit to £1.9m before member rebate of £0.5m. This is the first bad debt of any significance that the company has incurred for a considerable number of years and is a testament to the robust credit control systems that the company has in place. 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 £550,000 in February 2015 (2014 £500,000). 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 c£2m income per year.

Cranmore Place, our investment property, has ten suites and seven of those are currently occupied with three being marketed by local property agents. The current level of interest indicates that the commercial property market is slowly 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 saw a welcome improvement in Cenpac turnover during the year following increased activity in the housing market and a rise in consumer confidence. This resulted in an increase in Cenpac throughput in this category of 4.2% over the previous year to £188m. Two heritage brands, Stag and Ducal, have been purchased during the year and will be developed as AIS member exclusives in the coming months. Ranges from both brands were exhibited at the September 2014 show and received a very favourable reception from members.

INTERSPORT had 84 members at the year end operating out of 272 stores. Cenpac turnover for the year reached £102m which was an increase of 26.9% over the previous year. The growth from new members joining and the continued expansion of larger members is helping to raise the profile of INTERSPORT which is now estimated to hold 5% of the sporting goods market in the UK.

Flooring One had 134 members operating 193 outlets at the end of the year. A number of new members joined during the year and Cenpac throughput increased by over 15% to £25.8m. In May 2014 Flooring One's member show was developed into the Buying Groups National Flooring Show which was supported by over 60 exhibitors and was the only flooring trade show in the UK where so many key industry brand names exhibit.

plaY-room is now in its sixth year of operation and is well established. By the end of the year it had 81 members with 206 outlets and is seeing growth particularly in the garden centre sector. Its Cenpac turnover for 2013/14 was £17m which was over 13% higher than the previous year. Lego is the largest domestic supplier with over 18% share of the turnover, but 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 coming year will see further growth for the company as existing members report improving market conditions and high quality independent retailers continue to be attracted by the increased margins on offer to them and the support that membership of a buying group brings. Furniture retailers and garden centres represent the greatest potential for new members who meet our strict joining criteria. The first quarter of the new financial year shows an increase in Group Cenpac turnover of nearly 10% over the previous year.

A 1.8 acre plot of land has been acquired around the corner from Cranmore Park. This land has planning permission for five buildings and 125 parking spaces. We have been renting land in close vicinity for car parking use but the owner is going to develop the land and has given us notice. We have therefore had to secure replacement parking space. At certain shows parking has become a real issue for us and this new area will help to secure the future growth of our exhibition centre.

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 is showing 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 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.

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 a programme to reduce our carbon footprint has commenced in the new financial year. 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 prosper for the long term.

By Order of the Board

S.A Cooper

Approved by the Board on 12 November 2014

Chairman's Statement

AIS had another excellent year particularly in the light of the prevailing economic conditions.

The modest signs of recovery that we saw in 2012/13 continued into the year under review with Cenpac performing well and throughput increasing in a number of merchandise categories including furniture which is the largest sector of the business. The group's subsidiary businesses Flooring One, INTERSPORT and plaY-room all showed double digit growth on Cenpac throughput over the previous year which was very encouraging. The diversification of AIS has continued to help maintain a strong and broad business base and the resilience of the independently owned businesses within the group membership have contributed to the stability of the organisation.

I am pleased to announce a member rebate of £550,000 which will be paid in February 2015.

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.

Charles Barker, Michelle Jarrold and Jonathan Stoker retired from the Board during the year and I am grateful to them for their contribution to the Association. Stephen Bradley, Tony Richards and John Shotton were appointed in their place at the AGM and I look forward to working with them in the future.

The support of its members is crucial to the success of the Association and it is reassuring to see that each year a number of high quality independent retailers are attracted to become new members of the group. I am confident that the Association will continue to thrive and to provide an excellent level of service to its members in the coming year.

Ian Philp

12 November 2014

Directors' Report

The directors have pleasure in submitting their report and audited financial statements for the year ended 30 June 2014.

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:

C W Barker	(retired 28 April 2014)	A B Richards	(appointed 28 April 2014)
S C Bradley	(appointed 28 April 2014)	M D Roome	
S A Cooper		A M Ryan	
P A Harding		J S Shotton	(appointed 28 April 2014)
D G M Jarrold	(retired 28 April 2014)	D Standing	
P N Mallinson		J N Stoker	(retired 28 April 2014)
I R G Philp		G Topping	
S Potter-Price			

At the next Annual General Meeting Mr Ryan and Mr Topping 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

12 November 2014

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 2014 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 2014 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 strategic report and 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

12 November 2014

Consolidated Profit & Loss Account

for the year ended 30 June 2014

	Notes	2014	2013
		£000	£000
Gross transaction value		480,049	445,468
Less throughput from member stores		(453,760)	(420,898)
Turnover	1 & 5	26,289	24,570
Cost of sales		(13,935)	(12,134)
Gross profit		12,354	12,436
Distribution costs		(240)	(143)
Administration expenses		(9,899)	(10,009)
		(10,139)	(10,152)
Member rebate paid in year	1	(500)	(400)
Group operating profit		1,715	1,884
Interest receivable and similar income	2	12	20
Interest payable and similar charges	2	(404)	(353)
Other finance income	3	88	70
		(304)	(263)
Recognition of permanent diminution in building value	6	(300)	(300)
Profit on ordinary activities before taxation	2	1,111	1,321
Taxation	4	-	-
Profit for the year	14	1,111	1,321

Note on Historical Cost Profits

	2014	2013
	£000	£000
Reported profit on ordinary activities before taxation	1,111	1,321
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	1,115	1,325
Historical cost profit retained	1,115	1,325

Statement of Total Recognised Gains & Losses for the year ended 30 June 2014

	Notes	2014	2013
		£000	£000
Profit for the year		1,111	1,321
Actuarial loss in pension scheme	3	(1,207)	(573)
Total recognised (losses)/gains relating to the year		(96)	748

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

Consolidated Balance Sheet

as at 30 June 2014

	Notes	The Group 2014 £000	The Group 2013 £000	The Company 2014 £000	The Company 2013 £000
Fixed assets					
Intangible assets	1 & 6	24	-	24	-
Tangible assets	1 & 6	15,818	15,681	10,156	10,313
Investment in subsidiaries	6	-	-	101	101
		15,842	15,681	10,281	10,414
Current assets					
Stock	1 & 7	2,096	1,095	996	582
Debtors	8	40,527	37,980	3,906	4,571
Cash at bank and in hand		2,823	2,894	-	-
		45,446	41,969	4,902	5,153
Creditors: amounts falling due within one year	9	(48,593)	(44,909)	(5,360)	(6,148)
Net current liabilities		(3,147)	(2,940)	(458)	(995)
Total assets less current liabilities		12,695	12,741	9,823	9,419
Creditors: amounts falling due after more than one year	10	(3,900)	(4,601)	(2,770)	(3,136)
Net assets excluding pension liability		8,795	8,140	7,053	6,283
Pension liability	3	(3,863)	(3,412)	-	-
		4,932	4,728	7,053	6,283
Reserves					
Revaluation reserve	14	1,404	1,104	-	-
Other reserves	14	900	900	-	-
Profit & loss account	14	2,628	2,724	7,053	6,283
	17	4,932	4,728	7,053	6,283

These financial statements were approved by the board of directors on 12 November 2014 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 2014

	Notes	2014 £000	2013 £000
Cash inflow from operating activities	19 (a)	1,876	294
Returns on investment and servicing of finance	19 (b)	(392)	(333)
Taxation		-	-
Capital expenditure and financial investment	19 (b)	(859)	(538)
Cash inflow before use of liquid resources and financing		625	(577)
Financing	19 (b)	(696)	(2,432)
(Decrease) in cash in the year		(71)	(3,009)

	Notes	2014 £000	2013 £000
Reconciliation of net cash flow to movement in net debt	19 (c)		
(Decrease) in cash in the year		(71)	(3,009)
Cash outflow from movement in debt		694	2,432
Movement in net debt in the year		623	(577)
Net debt at 1 July 2013		(2,401)	(1,824)
Net debt at 30 June 2014		(1,778)	(2,401)

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

Notes to the Financial Statements

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 June 2014 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% 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):	2014	2013
	£000	£000
Depreciation	697	633
Amortisation	1	-
Operating lease rentals: Plant and machinery	114	93
Motor vehicles	145	170

	2014	2013
Auditor's remuneration:	£000	£000
Audit of these financial statements	22	22
Audit of financial statements of subsidiaries	23	23
Other services relating to taxation	14	19
	59	64
Interest receivable and similar income:		
Bank interest receivable	12	20
Interest payable and similar charges:		
Bank loans and overdrafts	311	275
Debenture loans	93	107
Debenture premium	-	(29)
	404	353

3. Employees

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

	2014	2013
	Number	Number
Full-time	113	122
Part-time	38	28
	151	150

Staff costs (excluding directors) during the year amounted to:	£000	£000
Wages and salaries	3,654	3,702
Social security costs	460	472
Other pension costs	344	358
	4,458	4,532

Directors' remuneration consisted of:	£000	£000
Fees and salaries	580	578
Pension contributions	88	70
Other emoluments (including benefits in kind)	12	12
	680	660

Ordinary directors did not receive any remuneration for their services.

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

	2014	2013
	£000	£000
Aggregate emoluments (including benefits in kind)	249	246

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 £330,000 per annum.

The total pension costs charged within the financial statements for the year amounted to £444,000 (2013: £428,000), comprising £532,000 personal pension plans and other costs (2013: £498,000) offset by £88,000 credit from the defined benefit scheme (2013: £70,000 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 2014. The major assumptions used in this valuation were as follows:

	2014	2013
Discount rate	4.60%	5.00%
Inflation assumption	3.30%	3.20%
Rate of increase in pensions in payment	3.20%	3.10%
Revaluation in deferment	3.30%	3.20%
Rate of return on scheme assets	7.50%	7.50%
Post retirement mortality	SAPs 2003 tables with medium cohort improvements	SAPs 2003 tables with medium cohort improvements
Tax free cash	75% 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:

	2014	2013
Male currently aged 43	86.7	86.7
Female currently aged 43	89.1	89.1
Male currently aged 63	85.4	85.4
Female currently aged 63	88.1	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.

Notes to the Financial Statements
(continued)

3. Employees (continued)

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

	2014	2013
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 2014 was an increase of 6.5%.

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

	2014	2013
	£000	£000
Fair value of assets	10,601	9,886
Present value of funded obligations	(14,464)	(13,298)
Deficit prior to deferred taxation	(3,863)	(3,412)

Movement in deficit during the year

	2014	2013
	£000	£000
Deficit in scheme at beginning of year	(3,412)	(3,448)
Profit and loss credit	88	70
Contributions paid	668	539
Actuarial loss	(1,207)	(573)
Deficit in scheme at end of year	(3,863)	(3,412)

Amounts recognised in the statement of total recognised gains and losses

	2014	2013
	£000	£000
Actuarial loss	(1,207)	(573)

Amounts recognised in the profit and loss account

	2014	2013
	£000	£000
Interest cost	(648)	(614)
Expected return on assets	736	684
Total	88	70

Notes to the Financial Statements
(continued)

3. Employees (continued)

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

	2014 £000	2013 £000
Other finance income	88	70

Reconciliation of assets and defined benefit obligation

The changes in the assets during the year were:

	2014 £000	2013 £000
Fair value of assets at beginning of year	9,886	9,126
Expected return on assets	736	684
Contributions paid	668	539
Contributions by scheme participants	-	-
Benefits paid	(588)	(519)
Actuarial (loss)/gain	(101)	56
Fair value of assets at end of year	10,601	9,886

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

	2014 £000	2013 £000
DBO at beginning of year	13,298	12,574
Interest cost	648	614
Benefits paid	(588)	(519)
Actuarial loss	1,106	629
DBO at end of year	14,464	13,298

Summary of prior year amounts

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Present value of DBO	(14,464)	(13,298)	(12,574)	(12,023)	(11,609)
Fair value of scheme assets	10,601	9,886	9,126	9,418	9,059
Deficit	(3,863)	(3,412)	(3,448)	(2,605)	(2,550)

Notes to the Financial Statements
(continued)

4. Taxation

The current Group tax charge for the year is £nil (2013: £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 22.50% (2013: 23.75%) for the reasons set out in the following reconciliation:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	1,111	1,321
Tax on profit on ordinary activities at UK standard rate of corporation tax of 22.50% (2013: 23.75%)	250	314
Factors affecting charge for the year:		
Income from mutual activities	(413)	(424)
Expenses not deductible for tax purposes	70	71
Depreciation in excess of capital allowances	36	31
Fixed asset differences	11	5
Unrelieved tax losses and other deductions in the period	46	3
Total current Group tax charge for the year	-	-

The Group has tax losses of £2,798,000 (2013: £2,595,000), 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 £697,000 (2013: £712,000), 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 £811,000 (2013: £785,000) 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 24% to 23% (effective from 1 April 2013) and to 21% (effective from 1 April 2014 were substantively enacted on 3 July 2012 and 2 July 2013 respectively. A further reduction to 20% (effective from 1 April 2015) was also substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The unrecognized deferred tax asset at 30 June 2014 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:

	2014 £000	2013 £000
United Kingdom	22,838	22,841
Republic of Ireland	3,451	1,729
	26,289	24,570

Notes to the Financial Statements
(continued)

6. Fixed Assets

Tangible assets
The Group

	Freehold Land & Buildings	Investment Property	Fixtures & Equipment	Motor Vehicles	Computer Software	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
1 July 2013	9,500	5,200	2,896	11	2,301	19,908
Additions	-	-	664	-	170	834
Write off	-	-	(367)	-	(681)	(1,048)
At 30 June 2014	9,500	5,200	3,193	11	1,790	19,694
Depreciation						
1 July 2013	96	-	2,070	11	2,050	4,227
Charge for year	96	-	452	-	149	697
Write off	-	-	(367)	-	(681)	(1,048)
At 30 June 2014	192	-	2,155	11	1,518	3,876
Net book value						
At 30 June 2014	9,308	5,200	1,038	-	272	15,818
At 30 June 2013	9,404	5,200	826	-	251	15,681

The Company

	Freehold Land & Buildings	Fixtures & Equipment	Motor Vehicles	Computer Software	Total
	£000	£000	£000	£000	£000
Cost or valuation					
1 July 2013	9,500	2,244	11	1,480	13,235
Additions	-	281	-	136	417
Write off	-	(331)	-	(554)	(885)
At 30 June 2014	9,500	2,194	11	1,062	12,767
Depreciation					
1 July 2013	96	1,551	11	1,264	2,922
Charge for year	96	350	-	128	574
Write off	-	(331)	-	(554)	(885)
At 30 June 2014	192	1,570	11	838	2,611
Net book value					
At 30 June 2014	9,308	624	-	224	10,156
At 30 June 2013	9,404	693	-	216	10,313

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.

Notes to the Financial Statements
(continued)

6. Fixed Assets (continued)

Intangible fixed assets
The Group and company

	Trademarks £000
Cost or valuation	
1 July 2013	-
Additions	25
At 30 June 2014	25
Amortisation	
1 July 2013	-
Charge for year	1
At 30 June 2014	1
Net book value	
At 30 June 2014	24
At 30 June 2013	-

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

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 decided to recognise £900,000 (2013: £600,000) of the temporary revaluation deficit shown in the 2011 accounts as permanent.

At 30 June 2014 the net book value of assets held by the Group under finance leases and included within fixtures and equipment was £nil (2013: £18,000), with a charge for depreciation in the year of £nil (2013: £8,000).

Investment in subsidiary undertakings	The Company	
	2014 £000	2013 £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
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	
	2014	2013	2014	2013
	£000	£000	£000	£000
Goods for re-sale	2,096	1,095	996	582

8. Debtors

	The Group		The Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Trade debtors	39,730	36,924	539	678
Amounts owed by group companies	-	-	2,963	3,477
Prepayments and accrued income	797	1,056	404	416
	40,527	37,980	3,906	4,571

9. Creditors

	The Group		The Company	
Amounts falling due within one year	2014	2013	2014	2013
	£000	£000	£000	£000
Bank loans and overdrafts	601	604	1,209	1,975
5% debenture stock	100	90	100	90
Trade creditors	46,404	42,125	1,684	1,831
Amounts owing to group companies	-	-	1,785	1,466
Amounts due under finance leases	-	2	-	-
Other creditors including taxation and social security costs	921	862	205	98
Accruals and deferred income	567	1,226	377	688
	48,593	44,909	5,360	6,148

Notes to the Financial Statements
(continued)

10. Creditors

Amounts falling due after one year	The Group 2014 £000	The Group 2013 £000	The Company 2014 £000	The Company 2013 £000
Bank loans	2,100	2,701	970	1,236
5% debenture stock	1,800	1,900	1,800	1,900
	3,900	4,601	2,770	3,136
Bank loans payable				
Between 1 and 2 years	601	601	266	266
Between 2 and 5 years	1,499	2,100	704	970
	2,100	2,701	970	1,236
5% debenture stock payable				
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	1,800	1,900	1,800	1,900
	1,800	1,900	1,800	1,900

The £2.7m of loan agreements with Lloyds TSB Bank plc bear interest at 2.10% over LIBOR (2013: 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 2014 £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.

Assets acquired under finance leases were secured on the assets to which they relate.

11. Provisions for Liabilities

Deferred taxation provided for in the accounts is £nil (2013: £nil), and the unprovided liability is £nil (2013: £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 £735,000 (2013: £736,000).

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 2013	1,104	900	2,724	4,728
Profit for the year	-	-	1,111	1,111
Revaluation	300	-	-	300
Actuarial loss recognised in pension scheme	-	-	(1,207)	(1,207)
At 30 June 2014	1,404	900	2,628	4,932

	2014	2013
	£000	£000
Profit & loss account excluding pension liability	6,491	6,136
Pension liability	(3,863)	(3,412)
Profit & loss account including pension liability	2,628	2,724

The Company	Balance at 1 Jul 2013	Profit for the year	Balance at 30 Jun 2014
	£000	£000	£000
Profit for the year	6,283	770	7,053

15. Commitments under Operating Leases

At 30 June 2014 there were annual commitments of the Group and Company under operating leases as set out below:

	The Group		The Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Plant and machinery				
Expiring between 1 and 5 years	114	92	114	92
Motor vehicles				
Expiring within 1 year	53	51	35	31
Expiring between 1 and 5 years	95	126	66	86
	262	269	215	209

16. Contingent Liabilities

	The Group		The Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Guarantee of bank loans and overdrafts of group companies	-	-	6,299	5,902
Potential liability under group VAT registration	-	-	1,015	914
	-	-	7,314	6,816

At 30 June 2014, the fair value of amounts due under forward currency contracts was £585,000 resulting in a £26,000 loss (2013: there were no forward currency contracts).

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:

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 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	
	2014	2013	2014	2013
	£000	£000	£000	£000
Profit for the year	1,111	1,321	770	1,093
Actuarial loss in pension scheme	(1,207)	(573)	-	-
Revaluation	300	300	-	-
Net increase in reserves	204	1,048	770	1,093
Opening reserves	4,728	3,680	6,283	5,190
Closing reserves	4,932	4,728	7,053	6,283

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 £28,467,000 (2013: £20,215,000) and the aggregate value of the outstanding balances at the year end was £4,859,000 (2013: £3,175,000).

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

	2014	2013
	£000	£000
Operating profit	1,715	1,884
Depreciation	697	633
(Increase) in stock	(1,001)	(44)
(Increase) in debtors	(2,547)	(2,711)
Increase in creditors	3,780	1,071
Movements in pension scheme affecting operating activities	(668)	(539)
Net cash inflow from operating activities	1,876	294

Notes to the Financial Statements
(continued)

19. (b) Analysis of Cashflows

	2014	2013
Returns on investment and servicing of finance	£000	£000
Interest received	12	20
Interest paid	(404)	(353)
Net cash outflow for returns on investment and servicing of finance	(392)	(333)
Capital expenditure and financial investment		
Purchase of fixed assets	(859)	(538)
Net cash outflow for capital expenditure and financial investment	(859)	(538)
Financing		
Repayment of loans	(606)	(1,653)
Redemption of debentures	(90)	(779)
Net cash outflow for financing	(696)	(2,432)

19. (c) Analysis of Net Debt

	At 1 July 2013	Cashflow	At 30 June 2014
	£000	£000	£000
Cash at bank and in hand	2,894	(71)	2,823
Bank loans	(3,305)	604	(2,701)
Debentures	(1,990)	90	(1,900)
	(2,401)	623	(1,778)

20. Capital Commitments

At 30 June 2014 the Group had contracted capital expenditure not provided for of £nil (2013: £nil).