Associated Independent Stores Limited

Directors' report and financial statements

For the year ended 30 June 2011

Registered number 912655

Contents

Directors

Executive	Ordinary
S A Cooper (Managing)	**I R G Philp (Chairman)**
P N Mallinson	**C W Barker**
A H Smith	**T S Coller**
D Standing	**J J Hopson**
	D G M Jarrold
	N K Moore
	D J Reynolds
	J N Stoker

Secretary and Registered Office

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

Auditors

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

Solicitors

AristoLex Legal Consultancy
Argyll House, All Saints Passage, London SW18 1EP

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 is hereby given that the forty-fourth 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 30 April 2012 commencing at 9 30am for the following purposes

1 To receive the directors' report and audited accounts for the year ended 30 June 2011

2 To elect directors

3 To transact any other business

By Order of the Board
A P Harper
Secretary

Sheward House
Cranmore Avenue
Shirley
Solihull
West Midlands
B90 4LF

12 October 2011

Proxies

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

The directors have pleasure in submitting their report and audited financial statements for the year ended 30 June 2011

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

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

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

Activities

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

Operating and Financial Review

Results

The results for the year are set out on page 9 The surplus before member rebate was £2m This represents an annual increase of 28% and a two year increase of 87% which the directors consider a very satisfactory result in the present trading climate

Membership

At 30 June 2011, the Group had 364 members representing over 1,000 stores with a combined retail turnover of £2 1bn There was significant growth in the number of stores during the year, due mainly to member acquisitions and the growth of INTERSPORT

Cenpac

Cenpac, which acts as the paying agent for the Group, continues to provide a major benefit to both members and suppliers The total value of invoices processed during the year was £415m (net of VAT), which was on a par with the previous year and shows an increase of 8% on a two year basis

Based on the Group result for the financial year, the Board has decided to pay an increased rebate of £600,000 in February 2012 (2011 £550,000) This is a record level of rebate which will be distributed to members in proportion to their Cenpac turnover

Operating and Financial Review (continued)

Merchandise
Furniture, which remains our largest merchandise category, has had a challenging year with lower consumer confidence affecting demand for 'big ticket' items

Under Peter Mallinson's guidance the division is revising its strategy Dreamworld, our own brand range of beds, was re-launched at the September 2011 Beds Show with a stronger range and margin proposition, backed by a new brand identity and marketing support Overall this has received a very positive reaction from members

Our housewares division continues to perform well and more members are using the buying and merchandising services offered by the retail division team During the financial year the range of exclusive merchandise was extended, providing members with an opportunity to achieve better margins

Fashion remains a very competitive sector with the trend towards more in season buying continuing New suppliers were added to the First Avenue ladieswear brand, bringing a more contemporary look to collections The division has held up well in these challenging times

Marketing
This department continues to support members in a broad number of ways with around 220 AIS members calling on its services in some capacity such as point of sale, leaflets, general marketing support and photography

A Group mystery shopping scheme was launched at the Annual Conference and many members have already started a programme with many more interested

It was evident during the year that members needed advice in the growing area of online and digital marketing and a number of recommended service providers and informational sessions are being presented to members

Property
The Cranmore Park Exhibition Centre is now established as a major contributor to income Due to a significant amount of business being turned away because of lack of availability, the Board recently approved the creation of a further 446m^2 of exhibition space Work will be completed by the end of December 2011

The property rental market continues to be challenging but despite this, only two office suites at Cranmore Place remain to be let Towards the end of the financial year INTERSPORT and the AIS Fashion Division relocated to Cranmore Place in order to vacate the space required for the extension of the exhibition centre

IT and Ecommerce
The new furniture supplier database which was launched in 2010 has virtually all of AIS' upholstery and cabinet suppliers entering product and pricing details A reflection of the value of this to members is the doubling of member access accounts since January 2011 Enhancements during the year have also improved functionality and ease of use for those members

INTERSPORT UK
During the year, the total value of invoices processed by Cenpac on behalf of members of INTERSPORT UK continued the upward trend of recent years and grew by an encouraging 15% to £65m Membership increased from 84 members operating 200 stores to 87 members with 257 outlets We were delighted to welcome Dave Whelan Sports Limited into INTERSPORT on 1 April 2011 Operating from 62 combined retail and gym sites, their membership brings a strong INTERSPORT brand presence to the marketplace and increases turnover significantly

The outlook for INTERSPORT remains positive INTERSPORT is a major retailer for adidas, a tier one sponsor at the 2012 Olympic Games This will provide access to exclusive Olympic product and marketing, for our retailer members, at no additional cost and is a significant reinforcement of the merits of membership

Operating and Financial Review (continued)

Flooring One
Flooring One currently has 128 members operating from 183 outlets Despite difficult marketing conditions through the financial year Cenpac throughput held steady at £23m

Flooring One continues to be at the forefront of providing high quality services to members including an annual marketing manual, online training facilities and an advanced approach to communications through members net In May 2011 Flooring One launched the 'Buying Groups National Flooring Show' which was supported by three other buying groups and received some very positive press

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

plaY-room (Toy Division)
plaY-room has now completed its third year of operation and continues to receive a very positive reaction from both retailers and suppliers By the end of the financial year it had grown to 73 members with 183 outlets

The Far East imports programme remains an important part of the offer, providing exclusivity as well as competitive prices

Procurement
The procurement division continues to generate new and cumulative savings for members across many areas of activity During the year, low energy lighting emerged as an area of potentially significant savings and has generated a high level of member interest with over 60 requesting site surveys and payback evaluations Some have already implemented test areas or floors and are moving towards complete installations

Personnel
The team at AIS works hard to improve the service offered to members and this is proving especially valuable in the current economic environment We would like to thank members of the team for their loyalty and their commitment to further improve our members' sales and profitability

During the year, we were delighted to welcome Peter Mallinson to AIS as Merchandise Director - Home Peter started his career at the Floreat Furniture Buying Group which later merged with AIS For the past 15 years Peter has been Chief Executive of Multiyork Furniture Limited where he created a successful business with a turnover of £51m

Tom Foley has now taken over as INTERSPORT UK's General Manager and has already established himself very strongly and positively with members, suppliers and colleagues as he continues to drive the business forward

Outlook
Group Cenpac turnover for the first 14 weeks of the new financial year shows a decrease of 0 5% This is very much in line with budget and we anticipate that the trading environment will remain difficult for the foreseeable future Our diverse business model has, however, proved robust and we are confident that this will continue to be the case Our main focus during the coming year will be to seek to support our members through increased benefit

Directors

The directors during the course of the year were

D C Banbury	(retired 27 July 2011)
P D Barbour	(retired 4 April 2011)
C W Barker	(appointed 4 April 2011)
D F Clarke	(retired 4 April 2011)
T S Coller	
S A Cooper	
H Fox	(retired 4 April 2011)
J J Hopson	
D G M Jarrold	(appointed 4 April 2011)
E G Kelway-Bamber	(resigned 10 September 2010)
P N Mallinson	(appointed 16 February 2011)
P C Mitchell	(retired 4 April 2011)
N K Moore	
I R G Philp	
D J Reynolds	
A H Smith	
D Standing	(appointed 22 July 2010)
J N Stoker	(appointed 4 April 2011)
M A Taylor	(appointed 4 April 2011, resigned 30 June 2011)

At the next Annual General Meeting Messrs Coller and Moore will retire by rotation

Disclosure of Information to Auditors

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

Financial Instruments

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

Auditors

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

By Order of the Board

A P Harper
Secretary

12 October 2011

We have audited the Group and parent company financial statements of Associated Independent Stores Limited for the year ended 30 June 2011 set out on pages 9 to 25 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

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 2011 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

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

12 October 2011

for the year ended 30 June 2011

	Notes	2011 £000	2010 £000
Gross transaction value		437,129	432,935
Less throughput from member stores		(412,009)	(411,984)
Turnover	1 & 5	25,120	20,951
Cost of sales		(13,555)	(9,877)
Gross profit		11,565	11,074
Distribution costs		(118)	(112)
Administration expenses		(9,195)	(8,882)
		(9,313)	(8,994)
Member rebate paid in year	1	(550)	(450)
Group operating profit		1,702	1,630
Interest receivable and similar income	2	20	8
Interest payable and similar charges	2	(361)	(531)
Other finance income	3	97	13
		(244)	(510)
Profit on ordinary activities before taxation	2	1,458	1,120
Taxation	4	-	-
Retained profit		1,458	1,120

Note on Historical Cost Profits

	2011 £000	2010 £000
Reported profit on ordinary activities before taxation	1,458	1,120
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	13	37
Historical cost profit on ordinary activities before taxation	1,471	1,157
Historical cost profit retained	1,471	1,157

Statement of Total Recognised Gains & Losses for the year ended 30 June 2011

	Notes	2011 £000	2010 £000
Profit for the year		1,458	1,120
Actuarial loss in pension scheme	3	(422)	(747)
Total recognised gains relating to the year	17	1,036	373

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

as at 30 June 2011

	Notes	The Group 2011 £000	The Group 2010 £000	The Company 2011 £000	The Company 2010 £000
Fixed assets					
Tangible assets	1 & 6	15,804	15,767	10,390	10,378
Investment in subsidiaries	6	-	-	101	101
		15,804	15,767	10,491	10,479
Current assets					
Stock	1 & 7	816	1,241	631	869
Debtors	8	35,848	43,589	3,170	2,584
Cash at bank and in hand		4,651	3,402	-	-
		41,315	48,232	3,801	3,453
Creditors amounts falling due within one year	9	(42,833)	(50,472)	(5,706)	(4,414)
Net current liabilities		(1,518)	(2,240)	(1,905)	(961)
Total assets less current liabilities		14,286	13,527	8,586	9,518
Creditors· amounts falling due after more than one year	10	(7,720)	(8,052)	(4,195)	(5,983)
Net assets excluding pension liability		6,566	5,475	4,391	3,535
Pension liability	3	(2,605)	(2,550)	-	-
		3,961	2,925	4,391	3,535
Reserves					
Revaluation reserve	14	716	716	-	-
Other reserves	14	900	900	-	-
Profit & loss account	14	2,345	1,309	4,391	3,535
		3,961	2,925	4,391	3,535

These financial statements were approved by the board of directors on 12 October 2011 and signed on its behalf by

I R G Philp

Directors

S A Cooper

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

Registered number 912655

for the year ended 30 June 2011

	Notes	2011 £000	2010 £000
Cash inflow from operating activities	19 (a)	2,552	2,706
Returns on investment and servicing of finance	19 (b)	(443)	(537)
Taxation	4	-	-
Capital expenditure and financial investment	19 (b)	(593)	(383)
Cash inflow before use of liquid resources and financing		1,516	1,786
Financing	19 (b)	(267)	(722)
Increase in cash in the year		1,249	1,064

Reconciliation of net cash flow to movement in net debt	19 (c)		
Increase in cash in the year		1,249	1,064
Cash outflow from movement in debt		267	722
Net decrease/(increase) in debenture premium accrued		102	(6)
Movement in net debt in the year		1,618	1,780
Net debt at 1 July 2010		(5,368)	(7,148)
Net debt at 30 June 2011		(3,750)	(5,368)

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 will require renewal in April 2012 and the Group's bankers have confirmed that they are not aware of any reason why that renewal would not be forthcoming on acceptable terms On the basis of this cash flow information the directors consider that the Group will continue to operate within the facilities currently agreed

Basis of 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

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

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 the final redemption date 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

2 Group Profit on Ordinary Activities

The Group profit is stated after charging		2011	2010
		£000	£000
Depreciation		587	547
Operating lease rentals	Plant and machinery	77	56
	Motor vehicles	161	149

	2011	2010
Auditor's remuneration	£000	£000
Audit of these financial statements	18	18
Audit of financial statements of subsidiaries	19	18
Other services relating to taxation	17	17
	54	53
Interest receivable and similar income		
Bank interest receivable	20	8
Interest payable and similar charges		
Bank loans and overdrafts	351	400
Debenture loans	99	101
Debenture premium	(89)	30
	361	531

3 Employees

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

	2011	2010
	Number	Number
Full-time	133	133
Part-time	16	22
	149	155

Staff costs (excluding directors) during the year amounted to	£000	£000
Wages and salaries	3,698	3,615
Social security costs	435	403
Other pension costs	342	536
	4,475	4,554

Directors' remuneration consisted of	£000	£000
Fees and salaries	550	543
Pension contributions	45	38
Other emoluments (including benefits in kind)	11	10
	606	591

Ordinary directors did not receive any remuneration for their services

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

	2011	2010
	£000	£000
Aggregate emoluments (including benefits in kind)	248	230

£13,000 of the increase in emoluments of the highest paid director related to back-dating and timing of car allowance payments The highest paid director was not an active member of a Group pension scheme

3 Employees (continued)

Pension costs

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

The funds of the defined benefit scheme are administered by Trustees and are separate from those of the Group An independent actuarial valuation is carried out every three years and contributions are paid to the scheme in accordance with the recommendation of the actuary The Group is currently paying contributions of £270,000 per annum

The total pension costs charged within the financial statements for the year amounted to £387,000 (2010 £574,000), comprising £484,000 personal pension plans and other costs (2010 £434,000) offset by £97,000 credit from the defined benefit scheme (2010 £140,000 charge)

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

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

The valuation as at 31 March 2008 has been updated by the actuary on a FRS17 basis as at 30 June 2011 The major assumptions used in this valuation were as follows

	2011	2010
Discount rate	5 70%	5 60%
Inflation assumption	3 50%	3 10%
Rate of increase in pensions in payment	3 30%	2 90%
Revaluation in deferment	2 90%	3 10%
Rate of return on scheme assets	8 20%	8 20%
Post retirement mortality	SAPs 2003 tables with medium cohort improvements	SAPs 2003 tables with medium cohort improvements
Tax free cash	No allowance	No allowance

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

	2011	2010
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

3 Employees (continued)

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

	2011	2010
Target return funds	99 0%	100 0%
Cash	1 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 2011 was an increase of 13%

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

	2011	2010
	£000	£000
Fair value of assets	9,418	9,059
Present value of funded obligations	(12,023)	(11,609)
Deficit prior to deferred taxation	(2,605)	(2,550)

Movement in deficit during the year

	2011	2010
	£000	£000
Deficit in scheme at beginning of year	(2,550)	(1,921)
Profit and loss credit/(charge)	97	(140)
Contributions paid	270	258
Actuarial loss	(422)	(747)
Deficit in scheme at end of year	(2,605)	(2,550)

Amounts recognised in the statement of total recognised gains and losses

	2011	2010
	£000	£000
Actuarial loss	(422)	(747)

Amounts recognised in the profit and loss account

	2011	2010
	£000	£000
Current service cost	-	(11)
Interest cost	(637)	(640)
Expected return on assets	734	653
Settlements and curtailments	-	(142)
Total	97	(140)

3 Employees (continued)

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

	2011 £000	2010 £000
Administration expenses	-	(153)
Other finance income	97	13
	97	(140)

Reconciliation of assets and defined benefit obligation

The changes in the assets during the year were

	2011 £000	2010 £000
Fair value of assets at beginning of year	9,059	8,037
Expected return on assets	734	653
Contributions paid	270	258
Contributions by scheme participants	-	16
Benefits paid	(998)	(615)
Actuarial gain	353	710
Fair value of assets at end of year	9,418	9,059

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

	2011 £000	2010 £000
DBO at beginning of year	11,609	9,958
Current service cost	-	11
Contributions by scheme participants	-	16
Interest cost	637	640
Benefits paid	(998)	(615)
Actuarial loss	775	1,457
Settlements and curtailments	-	142
DBO at end of year	12,023	11,609

Summary of prior year amounts

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of DBO	(12,023)	(11,609)	(9,958)	(10,183)	(10,130)
Scheme assets*	9,418	9,059	8,037	8,308	8,260
Deficit	(2,605)	(2,550)	(1,921)	(1,875)	(1,870)
Experience (losses)/gains on scheme liabilities**	(233)	19	195	(264)	-
Experience adjustments on scheme assets	353	710	(1,015)	(472)	464

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

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

4 Taxation

The current Group tax charge for the year is £nil (2010 £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 27 5% (2010 28%) for the reasons set out in the following reconciliation

	2011	2010
	£000	£000
Profit on ordinary activities before taxation	1,458	1,120
Tax on profit on ordinary activities at UK standard rate of corporation tax of 27 5% (2010 28%)	401	314
Factors affecting charge for the year		
Income from mutual activities	(423)	(284)
Expenses not deductible for tax purposes	1	2
Depreciation in excess of capital allowances	10	10
Depreciation on ineligible assets	2	13
Increase in other timing differences	1	-
Losses carried forward/(utilised)	8	(55)
Total current Group tax charge for the year	-	-

The Group has tax losses of £2,623,000 (2010 £2,489,000), 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 £43,000 (2010 £54,000), 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 £677,000 (2010 £714,000) which has not been recognised as the Group does not expect to recover this in the foreseeable future

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the total unrecognised deferred tax assets which has been included in the figures above

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above The overall effect of the further reductions from 26% to 23%, if these applied to the deferred tax balances at 30 June 2011 would be to further reduce the total unrecognised deferred tax assets by approximately £84,000

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

	2011	2010
	£000	£000
United Kingdom	22,528	18,958
Republic of Ireland	2,592	1,993
	25,120	20,951

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 2010	10,100	5,200	2,955	11	4,856	23,122
Additions	-	-	405	-	219	624
Write off	-	-	(171)	-	(235)	(406)
At 30 June 2011	10,100	5,200	3,189	11	4,840	23,340
Depreciation						
1 July 2010	130	-	2,790	11	4,424	7,355
Charge for year	130	-	197	-	260	587
Write off	-	-	(171)	-	(235)	(406)
At 30 June 2011	260	-	2,816	11	4,449	7,536
Net book value						
At 30 June 2011	9,840	5,200	373	-	391	15,804
At 30 June 2010	9,970	5,200	165	-	432	15,767

The Company

	Freehold Land & Buildings £000	Fixtures & Equipment £000	Motor Vehicles £000	Computer Software £000	Total £000
Cost or valuation					
1 July 2010	10,100	2,562	11	4,101	16,774
Additions	-	287	-	188	475
Write off	-	(171)	-	(235)	(406)
At 30 June 2011	10,100	2,678	11	4,054	16,843
Depreciation					
1 July 2010	130	2,460	11	3,795	6,396
Charge for year	130	130	-	203	463
Write off	-	(171)	-	(235)	(406)
At 30 June 2011	260	2,419	11	3,763	6,453
Net book value					
At 30 June 2011	9,840	259	-	291	10,390
At 30 June 2010	9,970	102	-	306	10,378

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

The valuation of freehold land and buildings, Sheward House and 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

6. Fixed Assets (continued)

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

The directors are of the opinion that the values of these properties at 30 June 2011 were not significantly different

At 30 June 2011 the net book value of assets held by the Group under finance leases and included within fixtures and equipment was £23,000 (2010 £nil), with a charge for depreciation in the year of £8,000 (2010 £nil)

Investment in subsidiary undertakings	The Company	
	2011	2010
	£000	£000
Investment in wholly owned subsidiary undertakings		
Cost	101	101

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

Name of Company	Country of Incorporation	Class of Shares held
AIS Property Limited	Great Britain	Ordinary
Cenpac (AIS) Limited	Great Britain	Ordinary
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

AIS Property Limited is a property investment company

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

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

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

Iconico Limited is a trading company for non-mutual activities

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

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

Present directors Mr A D Giblett (Chairman), Miss S A Cooper (Managing), Messrs J Hornsby, P J R Monkhouse and A N Pointer, Mrs A H Smith

Ultimate Flooring Limited is a retail buying group for floorcoverings retailers

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

Associated Independent Stores Trading Limited is a dormant company

Garden Retailers Organisation Limited is a dormant company

7. Stock

	The Group 2011 £000	The Group 2010 £000	The Company 2011 £000	The Company 2010 £000
Goods for re-sale	816	1,241	631	869

8. Debtors

	The Group 2011 £000	The Group 2010 £000	The Company 2011 £000	The Company 2010 £000
Trade debtors	34,752	42,602	232	160
Amounts owed by group companies	-	-	2,485	1,819
Prepayments and accrued income	1,096	987	453	605
	35,848	43,589	3,170	2,584

9 Creditors

Amounts falling due within one year	The Group 2011 £000	The Group 2010 £000	The Company 2011 £000	The Company 2010 £000
Bank loans and overdrafts	604	698	2,373	559
5% debenture stock	90	20	60	-
Trade creditors	40,247	48,082	1,188	1,757
Amounts owing to group companies	-	-	912	766
Amounts due under finance leases	10	-	-	-
Other creditors including taxation and social security costs	532	432	204	278
Accruals and deferred income	1,350	1,240	969	1,054
	42,833	50,472	5,706	4,414

10 Creditors

Amounts falling due after one year	The Group 2011 £000	The Group 2010 £000	The Company 2011 £000	The Company 2010 £000
Bank loans	4,958	5,123	2,195	3,923
5% debenture stock	2,749	2,929	2,000	2,060
Amounts due under finance leases	13	-	-	-
	7,720	8,052	4,195	5,983
Bank loans payable				
Between 1 and 2 years	603	458	268	308
Between 2 and 5 years	4,355	4,665	1,927	3,615
	4,958	5,123	2,195	3,923
5% debenture stock payable				
Between 1 and 2 years	749	4	-	-
Between 2 and 5 years	2,000	2,925	2,000	2,060
	2,749	2,929	2,000	2,060
Amounts due under finance leases payable				
Between 1 and 2 years	11	-	-	-
Between 2 and 5 years	2	-	-	-
	13	-	-	-

The £5 0m of bank loans bore interest at 1 55% over LIBOR (2010 2% over LIBOR) The loans were secured by a first charge on the freehold properties of the Group

The loan agreements with Lloyds TSB Bank plc expire in October 2013 when the outstanding balance becomes due for repayment It is envisaged that new loan agreements will be negotiated at this point

10 Creditors (continued)

At 30 June 2011, £749,000 of the original 5% Sheward House debenture stock was repayable after more than one year It is redeemable in December 2012, or earlier at the discretion of the directors, and is secured by a second charge on the freehold land and buildings of the parent company

On 1 August 2006, additional 5% debenture stock was issued to participating members by Associated Independent Stores Limited with proceeds of £2 06m The debenture is redeemable between 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

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

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

11 Provisions for Liabilities

Deferred taxation provided for in the accounts is £nil (2010 £nil), and the unprovided liability is £nil (2010 £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 £734,000 (2010 £739,000)

14 Reserves

The Group	Revaluation reserve	General reserve for bad debts	Profit & loss account	Total
	£000	£000	£000	£000
At 1 July 2010	716	900	1,309	2,925
Profit for the year	-	-	1,458	1,458
Actuarial loss recognised in pension scheme	-	-	(422)	(422)
At 30 June 2011	716	900	2,345	3,961

	2011	2010
	£000	£000
Profit & loss account excluding pension liability	4,950	3,859
Pension liability	(2,605)	(2,550)
Profit & loss account including pension liability	2,345	1,309

14 Reserves (continued)

The Company	Balance at 1 Jul 2010 £000	Profit for the year £000	Balance at 30 Jun 2011 £000
Profit for the year	3,535	856	4,391

15 Commitments under Operating Leases

At 30 June 2011 there were annual commitments of the Group and Company under operating leases as set out below

	The Group		The Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Plant and machinery				
Expiring between 1 and 5 years	77	72	77	72
Motor vehicles				
Expiring within 1 year	53	34	43	13
Expiring between 1 and 5 years	91	93	59	79
	221	199	179	164

16 Contingent Liabilities

	The Group		The Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Guarantee of bank loans and overdrafts of group companies	-	-	4,558	4,336
Potential liability under group VAT registration	-	-	295	291
Amounts due under forward currency contracts	864	1,970	864	1,970
	864	1,970	5,717	6,597

At 30 June 2011, the fair value of amounts due under forward currency contracts was £872,000 (2010 £1,972,000) resulting in a potential gain of £8,000 (2010 £2,000 gain) This potential gain has not been reflected in the profit and loss account

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

Interest rate and cash flow risk
The Group has reduced its exposure to interest rate and cash flow risks by using an interest rate collar to protect £3 9m of its loans from significant increases in interest rates All other cash deposits and bank loans/ overdrafts bear interest at rates linked to LIBOR or base rate

16. Contingent Liabilities (continued)

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

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

Foreign currency risk
The foreign currency exposure of the Group is low because the 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	
	2011	2010	2011	2010
	£000	£000	£000	£000
Profit for the year	1,458	1,120	856	919
Actuarial loss in pension scheme	(422)	(747)	-	-
Net increase in reserves	1,036	373	856	919
Opening reserves	2,925	2,552	3,535	2,616
Closing reserves	3,961	2,925	4,391	3,535

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

18 Related Party Transactions

During the year the Company undertook transactions on an arm's length basis with member companies in which the directors have an interest The aggregate value of the transactions processed was £42,394,000 (2010 £30,473,000) and the aggregate value of the outstanding balances at the year end was £2,894,000 (2010 £2,501,000)

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

	2011	2010
	£000	£000
Operating profit	1,702	1,630
Depreciation	587	547
Decrease/(increase) in stock	425	(563)
Decrease/(increase) in debtors	7,741	(5,476)
(Decrease)/increase in creditors	(7,903)	6,568
Net cash inflow from operating activities	2,552	2,706

19 (b) Analysis of Cashflows

	2011	2010
Returns on investment and servicing of finance	£000	£000
Interest received	20	8
Interest paid	(450)	(521)
Debenture premium paid	(13)	(24)
Net cash outflow for returns on investment and servicing of finance	(443)	(537)
Capital expenditure and financial investment		
Purchase of fixed assets	(593)	(383)
Net cash outflow for capital expenditure and financial investment	(593)	(383)
Financing		
Repayment of loans	(259)	(708)
Redemption of debentures	(8)	(14)
Net cash outflow for financing	(267)	(722)

19 (c) Analysis of Net Debt

	At 1 July 2010	Cashflow	Net decrease in accrued premium	At 30 June 2011
	£000	£000	£000	£000
Cash at bank and in hand	3,402	1,249	-	4,651
Bank loans	(5,821)	259	-	(5,562)
Debentures	(2,949)	8	102	(2,839)
	(5,368)	1,516	102	(3,750)

20 Capital Commitment

At 30 June 2011 the Group had contracted capital expenditure, not provided, of £nil (2010 £63,000)