Associated Independent Stores Limited

Directors' report and financial statements

For the year ended 30 June 2012

Registered number 912655

Contents

Directors

Executive		Ordinary	
S A Cooper	**(Managing)**	**I R G Philp**	**(Chairman)**
P N Mallinson		**C W Barker**	
S Potter-Price		**J J Hopson**	
D Standing		**D G M Jarrold**	
		D J Reynolds	
		A Ryan	
		J N Stoker	
		G Topping	

Secretary and Registered Office

V Chegwidden
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 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 22 April 2013 commencing at 9 30am for the following purposes

1 To receive the directors' report and audited accounts for the year ended 30 June 2012

2 To elect directors

3 To transact any other business

By Order of the Board
V Chegwidden
Secretary

Sheward House
Cranmore Avenue
Shirley
Solihull
West Midlands
B90 4LF

5 December 2012

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 results for the year ended 30 June 2012 show another good performance by AIS in achieving a surplus of £1 85m before member rebate

2011/12 remained a difficult trading environment although there were signs of a modest recovery in the last quarter of the financial year The group's businesses have all performed at least as expected during the year and growth has been seen in a number of areas Most of the independently owned businesses within the membership have continued trading, supported by the benefits available from AIS

I am pleased to announce a member rebate of £400,000 which will be paid in February 2013

The AIS team, led by Sheila Cooper the Managing Director, continue to work hard to support the members and to ensure that they get the best out of all of the benefits available to them On behalf of the membership I would like to thank the directors and all the staff of AIS for their valuable contribution

Non-executive directors Tim Coller and Neville Moore retired during the year and I am grateful for their contribution to the Association Guy Topping and Anthony Ryan were appointed in their place and I look forward to working with them in the coming months and years

During the year, we were delighted to welcome Susan Potter-Price to AIS, as Finance Director We wish Susan every success in her new role

The continued support of its members is paramount to the future success of the Association and with early signs that the recession is over and the encouraging results of the diverse parts of the group, I am confident that the Association will continue to flourish in the coming year

Ian Philp

5 December 2012

The directors have pleasure in submitting their report and audited financial statements for the year ended 30 June 2012

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 10 The surplus before member rebate was in line with budget at £1 85m This represents an annual decrease of 8% and a two year increase of 18% The directors consider this to be a satisfactory result in the present trading climate

Membership
At 30 June 2012, the Group had 367 members representing over 1,000 stores with a combined retail turnover of £2 1bn

Despite the difficult trading conditions that we have experienced in the last few years, AIS members have remained resilient and there is increased interest in joining the Group from independent retailers

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 £414m (net of VAT), which was on a par with the previous two years

Based on the Group result for the financial year, the Board has decided to pay a rebate to members of £400,000 in February 2013 (2011 £600,000) In view of the present trading climate the Board has taken a cautious approach although budgets indicate that a higher level of rebate will be resumed in the current trading year This rebate will be distributed to members in proportion to their Cenpac turnover

Operating and Financial Review (continued)

Merchandise

Furniture, which remains our largest merchandise category, had another challenging year with lower consumer confidence affecting demand for 'big ticket' items In the last quarter of the financial year there were encouraging signs of improvement in this sector and this has continued into 2012/13

Dreamworld, our own brand range of beds, has improved our credibility in the industry and has been well received by members and suppliers

Our housewares division continues to perform well and many members continue to benefit from using the buying and merchandising services offered by the retail division team A number of cookshops have been installed into member stores during the year

A Director of Fashion, Paula Fowler, joined the Company in May 2012 Paula has experience across menswear, ladieswear and childrenswear and has already had an impact, particularly on own label brands Paula started her career at Foster Menswear and has held roles at Debenhams, Next and most recently as the Buying Manager at George Clothing Ltd The focus for the current year will be to deliver well balanced and profitable ranges

Marketing

The marketing department launched its Member Marketing Division during the year to provide an alternative for members who outsource their marketing requirements A number of members have already used the service

The AIS mystery shopping scheme is now in its second year and has a growing number of member users who find the information produced by the exercise very useful in running their businesses

Reviews of various online strategies have taken place during the year and two Online and Digital seminar days have been held to provide members with help and advice

Property

The Cranmore Park Exhibition Centre continues to be a major contributor to income The new Diamond Suite was completed in January 2012 which extended the exhibition space by 5,466 sq ft to a total of 36,863 sq ft

The property rental market remained difficult during the year but despite this only two office suites at Cranmore Place remain to be let

During the year, the Group recognised a permanent diminution of the investment property value The Group is recognising the previously reflected temporary investment property impairment at the rate of £300,000 per annum over three years

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 30% This reflects the increase in membership achieved in the fourth quarter of the 2010/11 financial year Membership in the year under review increased from 87 members operating 257 stores to 90 members with 261 stores

INTERSPORT has again been awarded the contract as the on-site retailer for the Champions League Final at Wembley to be held in May 2013

Flooring One

Flooring One currently has 126 members operating from 177 outlets, little change from the previous year Despite difficult trading conditions Cenpac throughput held steady at £22m In May 2012, Flooring One ran the Buying Groups National Flooring Show at Cranmore Park which was supported by four other buying groups and proved to be a great success

Flooring One continues to provide high quality services to members including an annual marketing manual, online training facilities and an advanced approach to communications through members net

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

Operating and Financial Review (continued)

plaY-room (Toy Division)
plaY-room has now completed its fourth year of operation and member and supplier support remains very positive By the end of the financial year it had grown to 82 members with 198 outlets

The Far East import programme remains an important part of the offer, providing exclusivity as well as competitive prices However, costs continue to rise, particularly in China which will have an impact on future margins

Procurement
The procurement division continues to focus on generating savings for members across many areas of activity Low energy lighting remains a key area within the membership for achieving significant savings and a number of members have also identified savings on insurance, credit and debit card processing charges and carrier bags

Personnel
The AIS team has considerable industry experience across the various merchandise sectors and this has proved increasingly valuable during the difficult trading environment We would like to thank our team for their continued support and their commitment to further improve members' sales and profitability

During the year, Amanda Smith resigned after nine years as Finance Director We thank Amanda for her valuable contribution to the Company We were delighted to welcome Susan Potter-Price as her replacement Susan started her career at KPMG and then moved into retail Her most recent role was at hmv as Head of Shared Financial Services for the group

Outlook
Group Cenpac turnover for the first 18 weeks of the new financial year shows an increase of 3 3% over the previous year This is better than budget but we do not anticipate that the trading environment will improve significantly during the current year

The strength of our Group is founded on our diverse business model and we are confident that this will continue to be the case The future looks increasingly positive The Group remains totally committed to supporting and improving benefit for members

Directors

The directors during the course of the year were

D C Banbury	(retired 27 July 2011)	I R G Philp	
C W Barker		S Potter-Price	(appointed 7 December 2011)
T S Coller	(retired 30 April 2012)	D J Reynolds	
S A Cooper		A Ryan	(appointed 30 April 2012)
J J Hopson		A H Smith	(resigned 21 October 2011)
D G M Jarrold		D Standing	
P N Mallinson		J N Stoker	
N K Moore	(retired 30 April 2012)	G Topping	(appointed 30 April 2012)

At the next Annual General Meeting Messrs Reynolds and Hopson will retire by rotation

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

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

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

5 December 2012

We have audited the Group and parent company financial statements of Associated Independent Stores Limited for the year ended 30 June 2012 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 5, 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 2012 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

5 December 2012

for the year ended 30 June 2012

	Notes	2012 £000	2011 £000
Gross transaction value		433,445	437,129
Less throughput from member stores		(411,569)	(412,009)
Turnover	1 & 5	21,876	25,120
Cost of sales		(10,291)	(13,555)
Gross profit		11,585	11,565
Distribution costs		(81)	(118)
Administration expenses		(9,389)	(9,195)
		(9,470)	(9,313)
Member rebate paid in year	1	(600)	(550)
Group operating profit		1,515	1,702
Interest receivable and similar income	2	25	20
Interest payable and similar charges	2	(369)	(361)
Other finance income	3	81	97
		(263)	(244)
Profit on ordinary activities before taxation	2	1,252	1,458
Recognition of permanent diminution in building value	6	(300)	-
Profit after recognition of permanent diminution in building value		952	1,458
Taxation	4	-	-
Retained profit	14	952	1,458

Note on Historical Cost Profits

	2012 £000	2011 £000
Reported profit on ordinary activities before taxation	952	1,458
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	4	13
Historical cost profit on ordinary activities before taxation	956	1,471
Historical cost profit retained	956	1,471

Statement of Total Recognised Gains & Losses for the year ended 30 June 2012

	Notes	2012 £000	2011 £000
Profit for the year		952	1,458
Actuarial loss in pension scheme	3	(1,321)	(422)
Total recognised (losses)/gains relating to the year		(369)	1,036

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

as at 30 June 2012

	Notes	The Group 2012 £000	The Group 2011 £000	The Company 2012 £000	The Company 2011 £000
Fixed assets					
Tangible assets	1 & 6	15,776	15,804	10,390	10,390
Investment in subsidiaries	6	-	-	101	101
		15,776	15,804	10,491	10,491
Current assets					
Stock	1 & 7	1,051	816	678	631
Debtors	8	35,269	35,848	7,050	3,170
Cash at bank and in hand		5,903	4,651	-	-
		42,223	41,315	7,728	3,801
Creditors: amounts falling due within one year	9	(44,524)	(42,833)	(9,113)	(5,706)
Net current liabilities		(2,301)	(1,518)	(1,385)	(1,905)
Total assets less current liabilities		13,475	14 286	9,106	8,586
Creditors amounts falling due after more than one year	10	(6,347)	(7,720)	(3,916)	(4,195)
Net assets excluding pension liability		7,128	6,566	5,190	4,391
Pension liability	3	(3,448)	(2,605)	-	-
		3,680	3,961	5,190	4,391
Reserves					
Revaluation reserve	14	804	716	-	-
Other reserves	14	900	900	-	-
Profit & loss account	14	1,976	2,345	5,190	4,391
		3,680	3,961	5,190	4,391

These financial statements were approved by the board of directors on 5 December 2012 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

for the year ended 30 June 2012

	Notes	2012	2011
		£000	£000
Cash inflow from operating activities	19 (a)	3,055	2,552
Returns on investment and servicing of finance	19 (b)	(378)	(443)
Taxation	4	-	-
Capital expenditure and financial investment	19 (b)	(761)	(593)
Cash inflow before use of liquid resources and financing		1,916	1,516
Financing	19 (b)	(664)	(267)
Increase in cash in the year		1,252	1,249

Reconciliation of net cash flow to movement in net debt	19 (c)		
Increase in cash in the year		1,252	1,249
Cash outflow from movement in debt		664	267
Net decrease in debenture premium accrued		10	102
Movement in net debt in the year		1,926	1,618
Net debt at 1 July 2011		(3,750)	(5,368)
Net debt at 30 June 2012		(1,824)	(3,750)

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 2013 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 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

2. Group Profit on Ordinary Activities Before Taxation

The Group profit on ordinary activities before taxation is stated after charging/(crediting)		2012 £000	2011 £000
Depreciation		579	587
Operating lease rentals	Plant and machinery	77	77
	Motor vehicles	190	161

	2012	2011
Auditor's remuneration	£000	£000
Audit of these financial statements	18	18
Audit of financial statements of subsidiaries	19	19
Other services relating to taxation	17	17
	54	54
Interest receivable and similar income		
Bank interest receivable	(25)	(20)
Interest payable and similar charges		
Bank loans and overdrafts	293	351
Debenture loans	110	99
Debenture premium	(34)	(89)
	369	361

3. Employees

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

	2012 Number	2011 Number
Full-time	124	133
Part-time	18	16
	142	149

Staff costs (excluding directors) during the year amounted to	£000	£000
Wages and salaries	3,730	3,698
Social security costs	449	435
Other pension costs	362	342
	4,541	4,475

Directors' remuneration consisted of	£000	£000
Fees and salaries	574	550
Pension contributions	54	45
Other emoluments (including benefits in kind)	6	11
	634	606

Ordinary directors did not receive any remuneration for their services

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

	2012 £000	2011 £000
Aggregate emoluments (including benefits in kind)	242	248

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 £415,000 (2011 £387,000), comprising £496,000 personal pension plans and other costs (2011 £484,000) offset by £81,000 credit from the defined benefit scheme (2011 £97,000 credit)

The most recent, finalised valuation of the defined benefit scheme was undertaken at 31 March 2011 The assets were valued at market value at close of business on 31 March 2011 at £10,003,000 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 £4,515,000 at 31 March 2011, is being spread over the future working lifetime of members of the scheme

The valuation as at 31 March 2011 has been updated by the actuary on a FRS17 basis as at 30 June 2012 The major assumptions used in this valuation were as follows

	2012	2011
Discount rate	5 00%	5 70%
Inflation assumption	2 80%	3 50%
Rate of increase in pensions in payment	2 80%	3 30%
Revaluation in deferment	2 80%	2 90%
Rate of return on scheme assets	7 50%	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

	2012	2011
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

	2012	2011
Target return funds	100 0%	99 0%
Cash	0 0%	1 0%
Total	100 0%	100 0%

The actual return on the scheme's assets net of expenses during the year to 30 June 2012 was a decrease of 2 6%

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

	2012	2011
	£000	£000
Fair value of assets	9,126	9,418
Present value of funded obligations	(12,574)	(12,023)
Deficit prior to deferred taxation	(3,448)	(2,605)

Movement in deficit during the year

	2012	2011
	£000	£000
Deficit in scheme at beginning of year	(2,605)	(2,550)
Profit and loss credit	81	97
Contributions paid	397	270
Actuarial loss	(1,321)	(422)
Deficit in scheme at end of year	(3,448)	(2,605)

Amounts recognised in the statement of total recognised gains and losses

	2012	2011
	£000	£000
Actuarial loss	(1,321)	(422)

Amounts recognised in the profit and loss account

	2012	2011
	£000	£000
Interest cost	(672)	(637)
Expected return on assets	753	734
Total	81	97

3 Employees (continued)

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

	2012 £000	2011 £000
Administration expenses	-	-
Other finance income	81	97
	81	97

Reconciliation of assets and defined benefit obligation

The changes in the assets during the year were

	2012 £000	2011 £000
Fair value of assets at beginning of year	9,418	9,059
Expected return on assets	753	734
Contributions paid	397	270
Contributions by scheme participants	-	-
Benefits paid	(448)	(998)
Actuarial (loss)/gain	(994)	353
Fair value of assets at end of year	9,126	9,418

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

	2012 £000	2011 £000
DBO at beginning of year	12,023	11,609
Current service cost	-	-
Contributions by scheme participants	-	-
Interest cost	672	637
Benefits paid	(448)	(998)
Actuarial loss	327	775
Settlements and curtailments	-	-
DBO at end of year	12,574	12,023

Summary of prior year amounts

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Present value of DBO	(12,574)	(12,023)	(11,609)	(9,958)	(10,183)
Scheme assets	9,126	9,418	9,059	8,037	8,308
Deficit	(3,448)	(2,605)	(2,550)	(1,921)	(1,875)
Experience (losses)/gains on scheme liabilities*	(154)	(233)	19	195	(264)
Experience adjustments on scheme assets	(994)	353	710	(1,015)	(472)

* 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 (2011 £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 25 5% (2011 27 5%) for the reasons set out in the following reconciliation

	2012 £000	2011 £000
Profit on ordinary activities before taxation	952	1,458
Tax on profit on ordinary activities at UK standard rate of corporation tax of 25 5% (2011 27 5%)	243	401
Factors affecting charge for the year		
Income from mutual activities	(416)	(423)
Expenses not deductible for tax purposes	76	1
Depreciation in excess of capital allowances	31	10
Depreciation on ineligible assets	29	2
(Decrease)/increase in other timing differences	(2)	1
Losses carried forward/(utilised)	39	8
Total current Group tax charge for the year	-	-

The Group has tax losses of £2,682,000 (2011 £2,623,000), 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 £84,000 (2011 £43,000), 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 £828,000 (2011 £677,000) which has not been recognised as the Group does not expect to recover this in the foreseeable future

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will reduce the company's future current tax charge and total unrecognised deferred tax asset accordingly

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

	2012 £000	2011 £000
United Kingdom	20,898	22,528
Republic of Ireland	978	2,592
	21,876	25,120

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 2011	10,100	5,200	3,189	11	4,840	23,340
Additions	-	-	661	-	100	761
Write off	-	-	(868)	-	(1,261)	(2,129)
Revaluation	(600)	-	-	-	-	(600)
At 30 June 2012	9,500	5,200	2,982	11	3,679	21,372
Depreciation						
1 July 2011	260	-	2,816	11	4,449	7,536
Charge for year	130	-	234	-	215	579
Write off	-	-	(868)	-	(1,261)	(2,129)
Revaluation	(390)	-	-	-	-	(390)
At 30 June 2012	-	-	2,182	11	3,403	5,596
Net book value						
At 30 June 2012	9,500	5,200	800	-	276	15,776
At 30 June 2011	9,840	5,200	373	-	391	15,804

The Company

	Freehold Land & Buildings £000	Fixtures & Equipment £000	Motor Vehicles £000	Computer Software £000	Total £000
Cost or valuation					
1 July 2011	10,100	2,678	11	4,054	16,843
Additions	-	585	-	92	677
Write off	-	(868)	-	(1,261)	(2,129)
Revaluation	(600)	-	-	-	(600)
At 30 June 2012	9,500	2,395	11	2,885	14,791
Depreciation					
1 July 2011	260	2,419	11	3,763	6,453
Charge for year	130	178	-	159	467
Write off	-	(868)	-	(1,261)	(2,129)
Revaluation	(390)	-	-	-	(390)
At 30 June 2012	-	1,729	11	2,661	4,401
Net book value					
At 30 June 2012	9,500	666	-	224	10,390
At 30 June 2011	9,840	259	-	291	10,390

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, 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 As at 30 June 2012 the estimated useful life of Sheward House has been agreed by the directors to be twenty years

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 value was confirmed at £5 2m and the Board have decided to recognise £300,000 of the temporary revaluation deficit shown in the 2011 accounts as permanent

At 30 June 2012 the net book value of assets held by the Group under finance leases and included within fixtures and equipment was £15,000 (2011 £23,000), with a charge for depreciation in the year of £8,000 (2011 £8,000)

Investment in subsidiary undertakings

	The Company	
	2012	2011
	£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 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), Messrs J Hornsby, 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	
	2012	2011	2012	2011
	£000	£000	£000	£000
Goods for re-sale	1,051	816	678	631

8 Debtors

	The Group		The Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade debtors	34,378	34,752	302	232
Amounts owed by group companies	-	-	6,347	2,485
Prepayments and accrued income	891	1,096	401	453
	35,269	35,848	7,050	3,170

9. Creditors

	The Group		The Company	
Amounts falling due within one year	2012	2011	2012	2011
	£000	£000	£000	£000
Bank loans and overdrafts	604	604	3,723	2,373
5% debenture stock	779	90	10	60
Trade creditors	41,487	40,247	1,718	1,188
Amounts owing to group companies	-	-	2,833	912
Amounts due under finance leases	10	10	-	-
Other creditors including taxation and social security costs	503	532	240	204
Accruals and deferred income	1,141	1,350	589	969
	44,524	42,833	9,113	5,706

10. Creditors

	The Group		The Company	
Amounts falling due after one year	2012	2011	2012	2011
	£000	£000	£000	£000
Bank loans	4,355	4,958	1,926	2,195
5% debenture stock	1,990	2,749	1,990	2,000
Amounts due under finance leases	2	13	-	-
	6,347	7,720	3,916	4,195
Bank loans payable				
Between 1 and 2 years	4,355	603	1,926	268
Between 2 and 5 years	-	4,355	-	1,927
	4,355	4,958	1,926	2,195
5% debenture stock payable				
Between 1 and 2 years	90	749	90	-
Between 2 and 5 years	1,900	2,000	1,900	2,000
	1,990	2,749	1,990	2,000
Amounts due under finance leases payable				
Between 1 and 2 years	2	11	-	-
Between 2 and 5 years	-	2	-	-
	2	13	-	-

The £4 4m of bank loans bore interest at 1 55% over LIBOR (2011 1 55% 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 2012, £769,000 of the original 5% Sheward House debenture stock was repayable within one year It is redeemable in December 2012 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 At 30 June 2012 £10,000 was repayable within one year

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 (2011 £nil), and the unprovided liability is £nil (2011 £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 £736,000 (2011 £734,000)

14. Reserves

The Group	Revaluation reserve	General reserve for bad debts	Profit & loss account	Total
	£000	£000	£000	£000
At 1 July 2011	716	900	2,345	3,961
Profit for the year	-	-	952	952
Revaluation	88	-	-	88
Actuarial loss recognised in pension scheme	-	-	(1,321)	(1,321)
At 30 June 2012	804	900	1,976	3,680

	2012	2011
	£000	£000
Profit & loss account excluding pension liability	5,424	4,950
Pension liability	(3,448)	(2,605)
Profit & loss account including pension liability	1,976	2,345

14. Reserves (continued)

The Company	Balance at 1 Jul 2011 £000	Profit for the year £000	Balance at 30 Jun 2012 £000
Profit for the year	4,391	799	5,190

15. Commitments under Operating Leases

At 30 June 2012 there were annual commitments of the Group and Company under operating leases as set out below

	The Group		The Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Plant and machinery				
Expiring between 1 and 5 years	57	77	57	77
Motor vehicles				
Expiring within 1 year	20	53	20	43
Expiring between 1 and 5 years	149	91	99	59
	226	221	176	179

16. Contingent Liabilities

	The Group		The Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Guarantee of bank loans and overdrafts of group companies	-	-	4,842	4,558
Potential liability under group VAT registration	-	-	413	295
Amounts due under forward currency contracts	762	864	762	864
	762	864	6,017	5,717

At 30 June 2012, the fair value of amounts due under forward currency contracts was £765,000 (2011 £872,000) resulting in a potential gain of £3,000 (2011 £8,000 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 6m 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	
	2012	2011	2012	2011
	£000	£000	£000	£000
Profit for the year	952	1,458	799	856
Actuarial loss in pension scheme	(1,321)	(422)	-	-
Revaluation	88	-	-	-
Net increase in reserves	(281)	1,036	799	856
Opening reserves	3,961	2,925	4,391	3,535
Closing reserves	3,680	3,961	5,190	4,391

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

18. Related Party Transactions

During the year the Company undertook transactions on an arm's length basis with member companies in which the directors have an interest The aggregate value of the transactions processed was £35,075,000 (2011 £42,394,000) and the aggregate value of the outstanding balances at the year end was £2,549,000 (2011 £2,894,000)

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

	2012	2011
	£000	£000
Operating profit	1,515	1,702
Depreciation	579	587
(Increase)/decrease in stock	(235)	425
Decrease in debtors	579	7,741
Increase/(decrease) in creditors	617	(7,903)
Net cash inflow from operating activities	3,055	2,552

19. (b) Analysis of Cashflows

	2012 £000	2011 £000
Returns on investment and servicing of finance		
Interest received	25	20
Interest paid	(403)	(450)
Debenture premium paid	-	(13)
Net cash outflow for returns on investment and servicing of finance	(378)	(443)
Capital expenditure and financial investment		
Purchase of fixed assets	(761)	(593)
Net cash outflow for capital expenditure and financial investment	(761)	(593)
Financing		
Repayment of loans	(604)	(259)
Redemption of debentures	(60)	(8)
Net cash outflow for financing	(664)	(267)

19. (c) Analysis of Net Debt

	At 1 July 2011 £000	Cashflow £000	Net decrease in accrued premium £000	At 30 June 2012 £000
Cash at bank and in hand	4,651	1,252	-	5,903
Bank loans	(5,562)	604	-	(4,958)
Debentures	(2,839)	60	10	(2,769)
	(3,750)	1,916	10	(1,824)

20. Capital Commitment

At 30 June 2012 the Group had contracted capital expenditure, not provided, of £nil (2011 £nil)