Associated Independent Stores Limited

Directors' report and financial statements

For the year ended 30 June 2010

Registered number 912655

Contents

Directors

Executive	Ordinary
S A Cooper (Managing)	**D C Banbury (Chairman)**
A H Smith	**P D Barbour**
D Standing	**D F Clarke**
	T S Coller
	H Fox
	J J Hopson
	P C Mitchell
	N K Moore
	I R G Philp
	D J Reynolds

Secretary and Registered Office

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

Auditors

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

Solicitors

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

Bankers

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 (various non-mutual activities)
INTERSPORT UK Limited	Retail buying group for sporting goods retailers
Ultimate Flooring Limited	Retail buying group for floorcoverings retailers
Associated Independent Stores Trading Limited	Dormant company
Garden Retailers Organisation Limited	Dormant company

All companies are incorporated in Great Britain

Notice is hereby given that the forty-third 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 4 April 2011 commencing at 9 30am for the following purposes

1 To receive the directors' report and audited accounts for the year ended 30 June 2010

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

16 December 2010

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 2010

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

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

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

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

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

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

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

Activities

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

Operating and Financial Review

Membership

At 30 June 2010 the Group comprised 366 members, representing over 900 stores with a combined retail turnover of £2 1bn During the year we were pleased to welcome Midlands Co-operative Society and 20 garden centres with 47 outlets, into membership of AIS Limited

Despite the difficult trading environment members remained very resilient

In particular our INTERSPORT and plaY-room buying groups continue to expand at an encouraging rate

Cenpac

Paying agent, Cenpac, continues to be the core of our activity offering a valuable service to both members and suppliers The total value of invoices processed during the year was £415m (net of VAT), an increase of 8% This helped to offset a small reduction in turnover during the previous year and gives a two year index of 5% growth Based on this encouraging result the Board has agreed to pay a rebate of £550,000 to members in February 2011 (2010 £450,000) This rebate, which is the highest ever paid, will be distributed to members in proportion to their Cenpac turnover

Operating and Financial Review (continued)

Merchandise

Furniture remains our largest single merchandise category being almost 50% of Cenpac's throughput Following difficult trading in 2008/9 turnover rebounded strongly with 11% growth, albeit with a more modest 2% increase over a two year period

Our cookshop division, with an annual increase of 5%, continued to perform well with the import programme, in this area, offering members an opportunity to enhance margin

Fashion remains a challenging sector but own label, First Avenue, continues to perform strongly in stores

Property

The property rental market remains difficult and this continues to affect the letting of space in Cranmore Place Against this backdrop, with a view to mitigating costs, an agreement has been entered into with a managed serviced office provider to occupy two suites

Income from our Cranmore Park exhibition centre continues to grow and during the course of 2011 it is planned to expand this by c 400 sq m

IT and Ecommerce

An upgrade to Tradeislands was implemented successfully in the summer of 2010 which now enables members to raise orders online and send them electronically to suppliers

A new Furniture Supplier Database was in development during the financial year and went live in Autumn 2010 This is built on the Tradeislands platform and gives members a single, robust and complete point of reference for supplier and product data It is also designed to be easier for suppliers to update and maintain relevant sections

INTERSPORT UK

The total value of invoices processed by Cenpac on behalf of INTERSPORT UK grew by a healthy 11% to £56m Membership increased from 59 members operating 165 stores, to 84 members with 200 stores During the year we were delighted to welcome members of buying group, Allied Partners into INTERSPORT

The outlook for INTERSPORT remains very positive In May 2011 we will be the on-site retailer for both the Champions League Final at Wembley and the Europa League Final in Dublin INTERSPORT is also a major retailer for adidas, a tier one sponsor in the 2012 Olympics

In January next year, General Manager of INTERSPORT UK, Barry Mellis, will leave the Group to take up the position of Managing Director of ASICS UK Limited Barry has done an excellent job in driving INTERSPORT forward and we thank him and wish him well in his new role He will be replaced by Tom Foley, who has a wealth of experience in the sports industry, having founded the Irish sports buying group, ISRA in 2006 and previously worked for several sports suppliers

Flooring One

Flooring One currently has 129 members with 184 outlets During the year Cenpac throughput was £23m which was on a par with the previous year and this is a reflection of the challenging marketplace

The enhanced services offered by this division, in particular the marketing manual are much appreciated by members

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

Operating and Financial Review (continued)

plaY-room (Toy Division)
Since its inception in April 2008, the rate of growth of plaY-room, our toy division has exceeded expectations It now has 63 members with 145 retail outlets and during the 2009/10 financial year Cenpac throughput grew by 79% to £11m All key toy suppliers now supply members via Cenpac and the Far East imports programme has proved very successful, offering members exclusivity and the opportunity to improve their margin

We are confident that plaY-room will continue to grow as it develops into a mature business under the leadership of Joyce Daly and her team

Procurement
The procurement division continues to expand its range of services and the number of members for whom it has generated savings During the year, the recently introduced card processing review service delivered good savings for participating members and those taking advantage of the group insurance scheme enjoyed an average 17% reduction in like for like premiums New or growing areas of interest include provision of footfall counters, fuel cards and internet based phone systems (VoIP – voice over internet protocol)

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

Furniture Controller, Joe Martin, retired in May after 29 years' service Joe has made a huge contribution to this important area of our business and we would like to thank him and wish him a long and enjoyable retirement Joe has been replaced by Suzy McMahon who has much experience in the furniture trade with leading multiple retailers and with AIS member, Sterling Furniture

In June, David Standing, joined the business as Commercial Director with responsibility for marketing, IT and procurement David's skills and experience gained with retailers such as B&Q and Homebase, will strengthen the management team and we wish him every success in this role

Outlook
The new financial year has started well with Cenpac throughput for the first 22 weeks showing an increase of 5% with a two year growth of 15% We anticipate that market conditions will remain difficult against a backdrop of increasing merchandise costs, a VAT rise to 20% and uncertainty over the impact of the public sector cuts However, AIS is a diverse business that remains well placed to face the challenges ahead

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

Directors

The directors during the course of the year were

D C Banbury		P J Glasswell	(retired 26 April 2010)
P D Barbour		J J Hopson	(appointed 26 April 2010)
R V Blaney	(retired 12 February 2010)	E G Kelway-Bamber	(resigned 10 September 2010)
D F Clarke		P C Mitchell	
T S Coller		N K Moore	
S A Cooper		I R G Philp	(appointed 26 April 2010)
B H Dreesmann	(retired 26 April 2010)	D J Reynolds	(appointed 26 April 2010)
H Fox		A H Smith	

At the next Annual General Meeting Messrs Banbury, Barbour, Clarke, Fox and Mitchell will retire by rotation

Disclosure of Information to Auditors

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

Financial Instruments

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

Results

The results for the year are set out on page 9

Auditors

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

By Order of the Board

A P Harper
Secretary

16 December 2010

We have audited the Group and parent company financial statements of Associated Independent Stores Limited for the year ended 30 June 2010 set out on pages 9 to 25 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2010 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

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

16 December 2010

for the year ended 30 June 2010

	Notes	2010 £000	2009 £000
Gross transaction value		432,935	398,054
Less throughput from member stores		(411,984)	(379,954)
Turnover	1 & 5	20,951	18,100
Cost of sales		(9,877)	(7,566)
Gross profit		11,074	10,534
Distribution costs		(112)	(70)
Administration expenses		(8,882)	(8,790)
		(8,994)	(8,860)
Member rebate paid in year	1	(450)	-
Group operating profit		1,630	1,674
Interest receivable and similar income	2	8	18
Interest payable and similar charges	2	(531)	(658)
Other finance income	3	13	37
		(510)	(603)
Profit on ordinary activities before taxation	2	1,120	1,071
Taxation	4	-	-
Retained profit		1,120	1,071

Note on Historical Cost Profits

	2010 £000	2009 £000
Reported profit on ordinary activities before taxation	1,120	1,071
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	37	37
Historical cost profit on ordinary activities before taxation	1,157	1,108
Historical cost profit retained	1,157	1,108

Statement of Total Recognised Gains & Losses for the year ended 30 June 2010

	Notes	2010 £000	2009 £000
Profit for the year		1,120	1,071
Unrealised loss on revaluation of property		-	(2,081)
Actuarial loss in pension scheme	3	(747)	(443)
Total recognised gains/(losses) relating to the year	17	373	(1,453)

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

as at 30 June 2010

	Notes	The Group 2010 £000	The Group 2009 £000	The Company 2010 £000	The Company 2009 £000
Fixed assets					
Tangible assets	1 & 6	15,767	15,931	10,378	10,560
Investment in subsidiaries	6	-	-	101	101
		15,767	15,931	10,479	10,661
Current assets					
Stock	1 & 7	1,241	678	869	468
Debtors	8	43,589	38,113	2,584	1,622
Cash at bank and in hand		3,402	2,338	-	-
		48,232	41,129	3,453	2,090
Creditors. amounts falling due within one year	9	(50,472)	(43,847)	(4,414)	(3,604)
Net current liabilities		(2,240)	(2,718)	(961)	(1,514)
Total assets less current liabilities		13,527	13,213	9,518	9,147
Creditors amounts falling due after more than one year	10	(8,052)	(8,740)	(5,983)	(6,531)
Net assets excluding pension liability		5,475	4,473	3,535	2,616
Pension liability	3	(2,550)	(1,921)	-	-
		2,925	2,552	3,535	2,616
Reserves					
Revaluation reserve	14	716	716	-	-
Other reserves	14	900	900	-	-
Profit & loss account	14	1,309	936	3,535	2,616
		2,925	2,552	3,535	2,616

These financial statements were approved by the board of directors on 16 December 2010 and signed on its behalf by

D C Banbury

Directors

S A Cooper

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

Registered number 912655

for the year ended 30 June 2010

	Notes	2010 £000	2009 £000
Cash inflow from operating activities	19 (a)	2,706	1,629
Returns on investment and servicing of finance	19 (b)	(537)	(668)
Taxation	4	-	-
Capital expenditure and financial investment	19 (b)	(383)	(497)
Cash inflow before use of liquid resources and financing		1,786	464
Financing	19 (b)	(722)	(622)
Increase/(decrease) in cash in the year		1,064	(158)

Reconciliation of net cash flow to movement in net debt	19 (c)		
Increase/(decrease) in cash in the year		1,064	(158)
Cash outflow from movement in debt		722	622
Net increase in debenture premium accrued		(6)	(20)
Movement in net debt in the year		1,780	444
Net debt at 1 July 2009		(7,148)	(7,592)
Net debt at 30 June 2010		(5,368)	(7,148)

1. Accounting Policies

The followıng accountıng polıcıes have been applıed consıstently ın dealıng wıth ıtems whıch are consıdered materıal ın relatıon to the fınancıal statements

Going concern
The fınancıal statements are prepared on a goıng concern basıs whıch the dırectors belıeve to be approprıate for the followıng reasons The Group meets ıts day to day workıng capıtal requırements through an annually renewed bank overdraft facılıty The dırectors have prepared projected cash flow ınformatıon for a perıod endıng at least twelve months from the date of theır approval of these fınancıal statements The bank overdraft facılıty wıll requıre renewal ın Aprıl 2011 and the Group's bankers have confırmed that they are not aware of any reason why that renewal would not be forthcomıng on acceptable terms On the basıs of thıs cash flow ınformatıon the dırectors consıder that the Group wıll contınue to operate wıthın the facılıtıes currently agreed

Basis of preparation
The fınancıal statements have been prepared ın accordance wıth applıcable accountıng standards, and under the hıstorıcal cost accountıng rules, modıfıed to ınclude the revaluatıon of freehold land and buıldıngs

Investment properties
In accordance wıth Statement of Standard Accountıng Practıce No 19

a Investment propertıes are revalued annually and the aggregate surplus or defıcıt ıs transferred to a revaluatıon reserve, and
b No deprecıatıon ıs provıded ın respect of freehold ınvestment propertıes

Thıs treatment, as regards the Group's ınvestment propertıes, may be a departure from the requırements of the Companıes Act concernıng deprecıatıon of tangıble fıxed assets However, these propertıes are not held for consumptıon but for ınvestment and the dırectors consıder that systematıc annual deprecıatıon would be ınapproprıate The accountıng polıcy adopted ıs therefore necessary for the fınancıal statements to gıve a true and faır vıew Deprecıatıon ıs only one of the many factors reflected ın the annual valuatıon and the amount whıch mıght otherwıse have been shown cannot be separately ıdentıfıed or quantıfıed

Tangible fixed assets
Investment propertıes are held to earn rental ıncome and are carrıed at open market value (see above)

Other property ıs professıonally valued by ındependent chartered surveyors at market value on an exıstıng use basıs Subsequent expendıture and other fıxed assets are stated at hıstorıcal cost

Deprecıatıon ıs provıded on all tangıble fıxed assets, other than freehold land and ınvestment propertıes, at rates calculated to wrıte each asset down to ıts estımated resıdual value evenly over ıts expected useful lıfe as follows

Freehold buıldıngs	-	5% per annum
Fıxtures and equıpment	-	25% per annum
Motor vehıcles	-	25% per annum
Computer software	-	25% per annum

Foreign currencies
Transactıons ın foreıgn currencıes are recorded usıng the rate of exchange rulıng at the date of the transactıon or, ıf hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and lıabılıtıes denomınated ın foreıgn currencıes are translated usıng the contracted rate or the rate of exchange rulıng at the balance sheet date and the gaıns or losses on translatıon are ıncluded ın the profıt and loss account

Leases
Operatıng lease rentals are charged to the profıt and loss account on a straıght lıne basıs 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		2010	2009
		£000	£000
Depreciation		547	545
Gain on disposal of motor vehicle		-	1
Operating lease rentals	Plant and machinery	56	58
	Motor vehicles	149	162

	2010	2009
Auditors' remuneration	£000	£000
Audit of these financial statements	18	18
Audit of financial statements of subsidiaries	18	19
Valuation and actuarial services	-	13
Other services relating to taxation	17	19
	53	69
Interest receivable and similar income		
Bank interest receivable	8	18
Interest payable and similar charges		
Bank loans and overdrafts	400	511
Debenture loans	101	101
Debenture premium	30	46
	531	658

3. Employees

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

	2010	2009
	Number	Number
Full-time	133	133
Part-time	22	25
	155	158

Staff costs (excluding directors) during the year amounted to	£000	£000
Wages and salaries	3,615	3,640
Social security costs	403	409
Other pension costs	536	252
	4,554	4,301

Directors' remuneration consisted of	£000	£000
Fees and salaries	543	560
Pension contributions	38	36
Other emoluments (including benefits in kind)	10	12
	591	608

Ordinary directors did not receive any remuneration for their services

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

	2010	2009
	£000	£000
Aggregate emoluments (including benefits in kind)	230	227

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 £574,000 (2009 £288,000), comprising £140,000 defined benefit scheme (2009 £40,000), and £434,000 personal pension plans and other costs (2009 £248,000)

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

On this basis the actuarial value of the assets of the scheme 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 2010 The major assumptions used in this valuation were as follows

	2010	2009
Discount rate	5 60%	6 60%
Inflation assumption	3 10%	3 30%
Rate of increase in salaries	-	2 50%
Rate of increase in pensions in payment	2 90%	3 10%
Revaluation in deferment	3 10%	3 30%
Rate of return on scheme assets	8 20%	8 30%
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

	2010	2009
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

	2010	2009
Target return funds	100 0%	99 8%
Cash	0 0%	0 2%
Total	100 0%	100 0%

The actual return on the scheme's assets net of expenses during the year to 30 June 2010 was an increase of 17%

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

	2010	2009
	£000	£000
Fair value of assets	9,059	8,037
Present value of funded obligations	(11,609)	(9,958)
Deficit prior to deferred taxation	(2,550)	(1,921)

Movement in deficit during the year

	2010	2009
	£000	£000
Deficit in scheme at beginning of year	(1,921)	(1,875)
Profit and loss charge	(140)	(40)
Contributions paid	258	437
Actuarial loss	(747)	(443)
Deficit in scheme at end of year	(2,550)	(1,921)

Amounts recognised in the statement of total recognised gains and losses

	2010	2009
	£000	£000
Actuarial loss	(747)	(443)

Amounts recognised in the profit and loss account

	2010	2009
	£000	£000
Current service cost	(11)	(77)
Interest cost	(640)	(662)
Expected return on assets	653	699
Settlements and curtailments	(142)	-
Total	(140)	(40)

3. Employees (continued)

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

	2010 £000	2009 £000
Administration expenses	(153)	(77)
Other finance income	13	37
	(140)	(40)

Reconciliation of assets and defined benefit obligation

The changes in the assets during the year were

	2010 £000	2009 £000
Fair value of assets at beginning of year	8,037	8,308
Expected return on assets	653	699
Contributions paid	258	437
Contributions by scheme participants	16	107
Benefits paid	(615)	(499)
Actuarial gain/(loss)	710	(1,015)
Fair value of assets at end of year	9,059	8,037

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

	2010 £000	2009 £000
DBO at beginning of year	9,958	10,183
Current service cost	11	77
Contributions by scheme participants	16	107
Interest cost	640	662
Benefits paid	(615)	(499)
Actuarial loss/(gain)	1,457	(572)
Settlements and curtailments	142	-
DBO at end of year	11,609	9,958

Summary of prior year amounts

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of DBO	(11,609)	(9,958)	(10,183)	(10,130)	(10,365)
Scheme assets*	9,059	8,037	8,308	8,260	7,694
Deficit	(2,550)	(1,921)	(1,875)	(1,870)	(2,671)
Experience gains/(losses) on scheme liabilities**	19	195	(264)	-	(17)
Experience adjustments on scheme assets	710	(1,015)	(472)	464	316

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

** Experience 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 (2009 £nil)

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

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

	2010 £000	2009 £000
Profit on ordinary activities before taxation	1,120	1,071
Tax on profit on ordinary activities at UK standard rate of corporation tax of 28%	314	300
Factors affecting charge for the year		
Income from mutual activities	(284)	(361)
Expenses not deductible for tax purposes	2	5
Depreciation in excess of/(lower than) capital allowances	10	(10)
Depreciation on ineligible assets	13	3
Losses (utilised)/carried forward	(55)	63
Total current Group tax charge for the year	-	-

The Group has tax losses of £2,489,000 (2009 £2,655,000), 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 £54,000 (2009 £56,000), 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 £714,000 (2009 £538,000) which has not been recognised as the Group does not expect to recover this in the foreseeable future

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011 This will reduce the Group's future current tax charge accordingly If the rate change from 28% to 27% had been substantively enacted on or before the balance sheet date, it would have had the effect of reducing the amount of the total unrecognised deferred tax assets at that date by £27,000 As the remaining 3% reduction has not yet been substantively enacted, the full anticipated effect has not been calculated, although this will further reduce the Group's future current tax charge

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

	2010 £000	2009 £000
United Kingdom	18,958	16,994
Republic of Ireland	1,993	1,106
	20,951	18,100

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 2009	10,100	5,200	3,138	19	4,693	23,150
Additions	-	-	64	-	319	383
Write off	-	-	(247)	(8)	(156)	(411)
At 30 June 2010	10,100	5,200	2,955	11	4,856	23,122
Depreciation						
1 July 2009	-	-	2,894	19	4,306	7,219
Charge for year	130	-	143	-	274	547
Write off	-	-	(247)	(8)	(156)	(411)
At 30 June 2010	130	-	2,790	11	4,424	7,355
Net book value						
At 30 June 2010	9,970	5,200	165	-	432	15,767
At 30 June 2009	10,100	5,200	244	-	387	15,931

The Company

	Freehold Land & Buildings £000	Fixtures & Equipment £000	Motor Vehicles £000	Computer Software £000	Total £000
Cost or valuation					
1 July 2009	10,100	2,767	19	4,056	16,942
Additions	-	42	-	201	243
Write off	-	(247)	(8)	(156)	(411)
At 30 June 2010	10,100	2,562	11	4,101	16,774
Depreciation					
1 July 2009	-	2,627	19	3,736	6,382
Charge for year	130	80	-	215	425
Write off	-	(247)	(8)	(156)	(411)
At 30 June 2010	130	2,460	11	3,795	6,396
Net book value					
At 30 June 2010	9,970	102	-	306	10,378
At 30 June 2009	10,100	140	-	320	10,560

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

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

6 Fixed Assets (continued)

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

The directors are of the opinion that the values of these properties at 30 June 2010 were not significantly different

Investment in subsidiary undertakings	The Company	
	2010	2009
	£000	£000
Investment in wholly owned subsidiary undertakings		
Cost	101	101

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

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

AIS Property Limited is a property investment company

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

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

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

Garden Retailers Organisation Limited was a retail buying group for garden centres until 31 July 2009 when it ceased to trade

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

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

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

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

Present directors 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

7 Stock

	The Group		The Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Goods for re-sale	1,241	678	869	468

8 Debtors

	The Group		The Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade debtors	42,602	37,339	160	239
Amounts owed by group companies	-	-	1,819	904
Prepayments and accrued income	987	774	605	479
	43,589	38,113	2,584	1,622

9. Creditors

	The Group		The Company	
Amounts falling due within one year	2010	2009	2010	2009
	£000	£000	£000	£000
Bank loans and overdrafts	698	708	559	1,352
5% debenture stock	20	38	-	-
Trade creditors	48,082	41,333	1,757	630
Amounts owing to group undertakings	-	-	766	-
Other creditors including taxation and social security costs	432	866	278	189
Accruals and deferred income	1,240	902	1,054	1,433
	50,472	43,847	4,414	3,604

10 Creditors

	The Group		The Company	
Amounts falling due after one year	2010	2009	2010	2009
	£000	£000	£000	£000
Bank loans	5,123	5,821	3,923	4,471
5% debenture stock	2,929	2,919	2,060	2,060
	8,052	8,740	5,983	6,531
Bank loans payable				
Between 1 and 2 years	458	698	308	548
Between 2 and 5 years	4,665	5,123	3,615	3,923
	5,123	5,821	3,923	4,471
5% debenture stock payable				
Between 1 and 2 years	4	20	-	-
Between 2 and 5 years	2,925	2,899	2,060	2,060
	2,929	2,919	2,060	2,060

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

On 14 July 2010 the Group changed bank to Lloyds TSB Bank plc Its loans continued to have similar repayment terms with the outstanding balance of £4 2m repayable in October 2013 It is envisaged that new loan agreements will be negotiated at this point

10 Creditors (continued)

At 30 June 2010, £869,000 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

11 Provisions for Liabilities

Deferred taxation provided for in the accounts is £nil (2009 £nil), and the unprovided liability is £nil (2009 £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 £739,000 (2009 £694,000)

14. Reserves

The Group	Revaluation reserve	General reserve for bad debts	Profit & loss account	Total
	£000	£000	£000	£000
At 1 July 2009	716	900	936	2,552
Profit for the year	-	-	1,120	1,120
Actuarial loss recognised in pension scheme	-	-	(747)	(747)
At 30 June 2010	716	900	1,309	2,925

	2010	2009
	£000	£000
Profit & loss account excluding pension liability	3,859	2,857
Pension liability	(2,550)	(1,921)
Profit & loss account including pension liability	1,309	936

14 Reserves (continued)

The Company

	Balance at 1 Jul 2009 £000	Profit for the year £000	Balance at 30 Jun 2010 £000
Profit for the year	2,616	919	3,535

15 Commitments under Operating Leases

At 30 June 2010 there were annual commitments of the Group and Company under operating leases as set out below

	The Group		The Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Plant and machinery				
Expiring between 1 and 5 years	72	58	72	58
Motor vehicles				
Expiring within 1 year	34	24	13	15
Expiring between 1 and 5 years	93	92	79	67
	199	174	164	140

16. Contingent Liabilities

	The Group		The Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Guarantee of bank loans and overdrafts of group companies	-	-	4,336	4,106
Potential liability under group VAT registration	-	-	291	201
Amounts due under forward currency contracts	1,970	520	1,970	520
	1,970	520	6,597	4,827

At 30 June 2010, the fair value of amounts due under forward currency contracts was £1,972,000 (2009 £487,000) resulting in a potential gain of £2,000 (2009 £33,000 loss) The directors have not made a provision for the diminution in value of these assets as they are not impaired

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

Interest rate and cash flow risk

The Group has reduced its exposure to interest rate and cash flow risks by using an interest rate collar to protect £4 2m 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	
	2010	2009	2010	2009
	£000	£000	£000	£000
Profit for the year	1,120	1,071	919	285
Unrealised loss on revaluation of property	-	(2,081)	-	(1,295)
Actuarial loss in pension scheme	(747)	(443)	-	-
Net addition/(reduction) in reserves	373	(1,453)	919	(1,010)
Opening reserves	2,552	4,005	2,616	3,626
Closing reserves	2,925	2,552	3,535	2,616

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 £30,473,000 (2009 £35,841,000) and the aggregate value of the outstanding balances at the year end was £2,501,000 (2009 £3,632,000)

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

	2010	2009
	£000	£000
Operating profit	1,630	1,674
Depreciation	547	545
Increase in stock	(563)	(27)
Increase in debtors	(5,476)	(1,024)
Increase in creditors	6,568	461
Net cash inflow from operating activities	2,706	1,629

19 (b) Analysis of Cashflows

	2010	2009
Returns on investment and servicing of finance	£000	£000
Interest received	8	18
Interest paid	(521)	(658)
Debenture premium paid	(24)	(28)
Net cash outflow for returns on investment and servicing of finance	(537)	(668)
Capital expenditure and financial investment		
Purchase of fixed assets	(383)	(497)
Net cash outflow for capital expenditure and financial investment	(383)	(497)
Financing		
Repayment of loans	(708)	(604)
Redemption of debentures	(14)	(18)
Net cash outflow for financing	(722)	(622)

19 (c) Analysis of Net Debt

	At 1 July 2009	Cashflow	Net increase in accrued premium	At 30 June 2010
	£000	£000	£000	£000
Cash at bank and in hand	2,338	1,064	-	3,402
Bank loans	(6,529)	708	-	(5,821)
Debentures	(2,957)	14	(6)	(2,949)
	(7,148)	1,786	(6)	(5,368)

20 Capital Commitment

At 30 June 2010 the Group had contracted capital expenditure, not provided, of £63,000 (2009 £35,000)

21 Post Balance Sheet Event

On 14 July 2010 the Group changed bank to Lloyds TSB Bank plc Its loans continued to have similar repayment terms with the outstanding balance of £4 2m repayable in October 2013 It is envisaged that new loan agreements will be negotiated at this point The Group's overdraft facility will require renewal in April 2011 and Lloyds TSB have confirmed that they are not aware of any reason why that renewal would not be forthcoming on acceptable terms