Associated Independent Stores Limited

Directors' report and financial statements

For the year ended 30 June 2013

Registered number 912655

Contents

Directors & Officers

Executive		Ordinary	
S A Cooper	**(Managing)**	**I R G Philp**	**(Chairman)**
P N Mallinson		**C W Barker**	
S Potter-Price		**P A Harding**	
D Standing		**D G M Jarrold**	
		M D Roome	
		A M 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

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

Bankers

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

Subsidiary Companies

AIS Property Limited	Property investment company
Cenpac (AIS) Limited	Paying agent for member stores
Iconico Limited	Trading company (non-mutual activities)
INTERSPORT UK Limited	Retail buying group for sporting goods retailers
Ultimate Flooring Limited	Retail buying group for floorcoverings retailers
Associated Independent Stores Trading Limited	Dormant company
Garden Retailers Organisation Limited	Dormant company

All companies are incorporated in Great Britain

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Associated Independent Stores Limited will be held at the Forest of Arden Hotel, Maxstoke Lane, Meriden, Warwickshire CV7 7HR on Monday 28 April 2014 commencing at 9 30am for the following purposes

1 To receive the directors' report and audited accounts for the year ended 30 June 2013

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

4 December 2013

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

Chairman's Statement

The results for the year ended 30 June 2013 show an excellent performance by AIS as a record surplus of just over £2m has been achieved before member rebate

A challenging trading environment continued to be experienced in 2012/13 but the modest signs of recovery that were showing in the last quarter of the 2011/12 continued into the year under review Cenpac performed well and throughput increased, particularly in the furniture sector which continues to be the largest sector of the business The group's diverse businesses have all contributed to the results and this diversification and the resilience of the independently owned businesses within the membership have ensured the continued stability of the organisation The balance sheet has been further strengthened this year and your Board is confident that this will continue into the future

I am pleased to announce a member rebate of £500,000 which will be paid in February 2014

The AIS team, led by Sheila Cooper the Managing Director, work hard to support members and to deliver a varied package of benefits to help you in your businesses On behalf of the membership I would like to thank all of the staff for their valued contribution

Jonathan Hopson and Dominic Reynolds retired from the Board during the year and I am grateful to them for their contribution to the Association Peter Harding and Michael Roome were appointed in their place at the AGM and I look forward to working with them in the future

The Association s success relies on the support of its members and new members continue to be attracted to the group I am confident that the Association will build on its current performance and continue to improve its service to members in the coming year

Ian Philp

4 December 2013

Directors' Report

The directors have pleasure in submitting their report and audited financial statements for the year ended 30 June 2013

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 £2m This represents an annual increase of 9% The directors consider this to be a good result in the present trading climate

Membership
At 30 June 2013, the Group had 361 members representing over 1,000 stores with a combined retail turnover of £2bn

Despite the difficult trading conditions that continued into 2012/13, AIS members have remained resilient and eight high quality independent retailers joined the association during the year The increase in income for the organisation more than offset the effect of member resignations and further opportunities exist for us to grow the membership still further

Cenpac
Cenpac, which acts as the paying agent for the Group, continues to provide a major benefit to both members and suppliers and is at the core of all member activities The total value of invoices processed during the year was £423m (net of VAT), which was an increase of 2 3% over the previous year

Based on the Group result for the financial year, the Board has decided to pay a rebate to members of £500,000 in February 2014 (2013 £400,000) This rebate will be distributed to members in proportion to their Cenpac turnover

Directors' Report

(continued)

Operating and Financial Review (continued)

Merchandise

Merchandise remains a key focus with new opportunities sought to increase buying power in the face of a changing membership base

Furniture is our largest merchandise category and the improvement seen in this sector in the last quarter of 2011/12 continued into 2012/13 Our strategy is to ensure that we have a balanced portfolio of suppliers to suit all member requirements

Dreamworld our own brand range of beds, continued to go from strength to strength and the range has been improved during the year

In linens our own label brand The Bed and Bath Collection' was launched during the year and has been very well received,

Our housewares division continues to perform well and more members have benefited from using the buying and merchandising services offered by the retail division team during the year 2013 has been a challenging year due to a slow housing market but gift food is very popular and is the fastest growing sector within housewares

Fashion continues to be challenging but the continued development of our own label brand First Avenue has been welcomed by members The market does seem to be showing signs of recovery and the womenswear branded market is now enjoying a more buoyant period Our menswear own label brand James Aubrey has been further developed and recently launched as a transactional website with fulfilment from a member store

Marketing

The Member Marketing Division launched last year continued to provide an alternative for members who outsource their marketing requirements Digital support is also offered to members such as email marketing and website builds 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

The AIS mystery shopping scheme continues to be helpful for those members who have committed to it and now that it has been running for three years the benchmark reports are proving very useful

Property

The Cranmore Park Exhibition Centre continues to be a major contributor to income The new Diamond Suite, which was completed in January 2012, had its first full year of use and the income generated exceeded our expectations Our smaller meeting rooms are also becoming increasingly popular

The property rental market remained difficult during the year and four of the ten suites at Cranmore Place are currently being marketed

INTERSPORT UK

At the end of the financial year, INTERSPORT had 88 members operating from 262 stores At the start of the new financial year INTERSPORT Sporting Pro joined the membership and is expected to expand rapidly The growth of larger members is helping to raise the profile of the INTERSPORT brand

INTERSPORT was awarded the contract as the on-site retailer for the Champions League Final at Wembley which was held in May 2013 Although the weather affected the event, the income generated helped to increase the profitability of the company

Flooring One

Flooring One had 130 members operating from 193 outlets at the end of the financial year A number of new members joined during the year and Cenpac throughput increased to £22 4m Since the start of the new year turnover has increased by 8% which is very encouraging

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

Directors' Report

(continued)

Operating and Financial Review (continued)

plaY-room (Toy Division)
plaY-room was set up in April 2008 and is now well established By the end of the financial year it had 83 members with 206 outlets and is seeing growth particularly in the garden centre sector

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

Procurement
Members are requesting assistance from the procurement division to look at projects in an ever wider variety of categories Although low energy lighting remains a key area within the membership for achieving significant savings insurance, footfall counters, vehicle and energy savings have all been achieved during the year

Personnel
The AIS team works hard to offer excellent value and service to members and to help maximise their profitability Team members have considerable industry experience across the various merchandise sectors and this has proved invaluable to the membership We would like to thank our team for their continued support and their commitment to further improve members sales and profitability

Outlook
Group Cenpac turnover for the first 16 weeks of the new financial year shows an increase of 4% over the previous year This is in line with budget but we do not anticipate that the trading environment will improve significantly during the current year

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

Directors' Report

(continued)

Directors

The directors during the course of the year were

C W Barker		S Potter-Price	
S A Cooper		D J Reynolds	(retired 22 April 2013)
P A Harding	(appointed 22 April 2013)	M D Roome	(appointed 22 April 2013)
J J Hopson	(retired 22 April 2013)	A M Ryan	
D G M Jarrold		D Standing	
P N Mallinson		J N Stoker	
I R G Philp		G Topping	

At the next Annual General Meeting Mr Barker, Ms Jarrold and Mr Stoker 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

4 December 2013

Independent Auditor's Report

We have audited the Group and parent company financial statements of Associated Independent Stores Limited for the year ended 30 June 2013 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 Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2013 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

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

4 December 2013

Consolidated Profit & Loss Account

	Notes	2013	2012
		£000	£000
Gross transaction value		445,468	433,445
Less throughput from member stores		(420,898)	(411 569)
Turnover	1 & 5	24,570	21,876
Cost of sales		(12,134)	(10,291)
Gross profit		12 436	11,585
Distribution costs		(143)	(81)
Administration expenses		(10 009)	(9,389)
		(10,152)	(9,470)
Member rebate paid in year	1	(400)	(600)
Group operating profit		1,884	1,515
Interest receivable and similar income	2	20	25
Interest payable and similar charges	2	(353)	(369)
Other finance income	3	70	81
		(263)	(263)
Profit on ordinary activities before taxation	2	1,621	1,252
Recognition of permanent diminution in building value	6	(300)	(300)
Profit after recognition of permanent diminution in building value		1,321	952
Taxation	4	-	-
Profit for the year	14	1 321	952

Note on Historical Cost Profits

	2013	2012
	£000	£000
Reported profit on ordinary activities before taxation	1,321	952
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	4	4
Historical cost profit on ordinary activities before taxation	1,325	956
Historical cost profit retained	1,325	956

Statement of Total Recognised Gains & Losses for the year ended 30 June 2013

	Notes	2013	2012
		£000	£000
Profit for the year		1,321	952
Actuarial loss in pension scheme	3	(573)	(1,321)
Total recognised gains/ (losses) relating to the year		748	(369)

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

Balance Sheets

as at 30 June 2013

	Notes	The Group 2013 £000	The Group 2012 £000	The Company 2013 £000	The Company 2012 £000
Fixed assets					
Tangible assets	1 & 6	15 681	15,776	10,313	10 390
Investment in subsidiaries	6	-	-	101	101
		15 681	15,776	10,414	10 491
Current assets					
Stock	1 & 7	1 095	1,051	582	678
Debtors	8	37,980	35 269	4 571	7 050
Cash at bank and in hand		2,894	5,903	-	-
		41,969	42 223	5 153	7 728
Creditors amounts falling due within one year	9	(44,909)	(44 524)	(6,148)	(9,113)
Net current liabilities		(2,940)	(2 301)	(995)	(1 385)
Total assets less current liabilities		12,741	13,475	9,419	9 106
Creditors amounts falling due after more than one year	10	(4,601)	(6,347)	(3,136)	(3,916)
Net assets excluding pension liability		8,140	7,128	6,283	5 190
Pension liability	3	(3,412)	(3 448)	-	-
		4,728	3,680	6,283	5 190
Reserves					
Revaluation reserve	14	1,104	804	-	-
Other reserves	14	900	900	-	-
Profit & loss account	14	2,724	1 976	6,283	5 190
		4 728	3 680	6,283	5,190

These financial statements were approved by the board of directors on 4 December 2013 and signed on its behalf by

I R G Philp

Directors

S A Cooper

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

Registered number 912655

Consolidated Cash Flow Statement

for the year ended 30 June 2013

	Notes	2013 £000	2012 £000
Cash inflow from operating activities	19 (a)	294	3 031
Returns on investment and servicing of finance	19 (b)	(333)	(344)
Taxation	4	-	-
Capital expenditure and financial investment	19 (b)	(538)	(761)
Cash inflow before use of liquid resources and financing		(577)	1,926
Financing	19 (b)	(2,432)	(674)
(Decrease)/increase in cash in the year		(3,009)	1,252

Reconciliation of net cash flow to movement in net debt	19 (c)		
(Decrease)/increase in cash in the year		(3,009)	1 252
Cash outflow from movement in debt		2,432	674
Movement in net debt in the year		(577)	1 926
Net debt at 1 July 2012		(1,824)	(3,750)
Net debt at 30 June 2013		(2,401)	(1 824)

Notes to the Financial Statements

1 Accounting Policies

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

Going concern
The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons The Group meets its day to day working capital requirements through an annually renewed bank overdraft facility The directors have prepared projected cash flow information for a period ending at least twelve months from the date of their approval of these financial statements The bank overdraft facility was renewed in June 2013 for a further 12 months On the basis of this cash flow information the directors consider that the Group will continue to operate within the facilities currently agreed

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of freehold land and buildings

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

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

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

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

Other property is professionally valued by independent chartered surveyors at market value on an existing use basis Subsequent expenditure and other fixed assets are stated at historical cost

Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows

Freehold buildings	5% per annum
Fixtures and equipment	25% per annum
Motor vehicles	25% per annum
Computer software	25% per annum

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

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

Notes to the Financial Statements

(continued)

1 Accounting Policies (continued)

Pensions

The Group operates a personal pension plan and until 31 August 2009, when the scheme was closed to future accrual, a defined benefit scheme The assets of the defined benefit scheme are separate from those of the Group

Pension scheme assets are measured at their current market value Pension scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate based on the current rate of return on a high quality corporate bond of equivalent term and currency to the scheme liabilities The pension scheme deficit is recognised in full in the consolidated Group accounts The movement in the scheme deficit is split between operating charges, finance items and in the statement of total recognised gains and losses, actuarial gains and losses

The Company participated in the group-wide defined benefit pension scheme which provided benefits based on final pensionable earnings until 31 August 2009 The assets of the scheme are held separately from those of the Company The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 Retirement benefits accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Stock

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

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19 No provision is made for taxation on the revaluation of freehold property as it is considered unlikely that the property will be sold outside the Group in the foreseeable future

Debentures

Debenture holders are entitled upon redemption to a premium which is calculated by way of a formula set out in the relevant debenture trust deed The premium is principally based upon a proportion of the increase in the value of certain group property, on a market value basis Provision for the premium is made in these financial statements based on the estimated value of the property at 30 June 2012 The premium is charged to the profit and loss account evenly over the remaining term the debentures are in issue

Turnover

Group turnover comprises the following

a Subscription income from member stores
b Income retained from processing transactions on behalf of members through Cenpac
c Merchandise purchased on a direct basis and subsequently invoiced to member stores
d Space rental
e Miscellaneous income

In accordance with the requirements of FRS5 (Application note G Revenue recognition) turnover includes only the element of income retained by the Group from sales to member stores where the Group acted as agent, rather than principal, in the transaction In order to provide additional information the gross transaction value is also shown on the face of the profit and loss account

Member rebate

The member rebate is charged to the profit and loss account in the year in which it is approved by the Board and paid to members

Guarantees

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

Notes to the Financial Statements

(continued)

2 Group Profit on Ordinary Activities Before Taxation

The Group profit on ordinary activities before taxation is stated after charging/(crediting)		2013	2012
		£000	£000
Depreciation		633	579
Operating lease rentals	Plant and machinery	93	77
	Motor vehicles	170	190

	2013	2012
Auditor's remuneration	£000	£000
Audit of these financial statements	22	18
Audit of financial statements of subsidiaries	23	19
Other services relating to taxation	19	17
	64	54
Interest receivable and similar income		
Bank interest receivable	20	25
Interest payable and similar charges		
Bank loans and overdrafts	275	293
Debenture loans	107	110
Debenture premium	(29)	(34)
	353	369

3 Employees

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

	2013 Number	2012 Number
Full-time	122	124
Part-time	28	18
	150	142

Staff costs (excluding directors) during the year amounted to	£000	£000
Wages and salaries	3 702	3,730
Social security costs	472	449
Other pension costs	358	362
	4,532	4,541

Directors' remuneration consisted of	£000	£000
Fees and salaries	578	574
Pension contributions	70	54
Other emoluments (including benefits in kind)	12	6
	660	634

Ordinary directors did not receive any remuneration for their services

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

	2013 £000	2012 £000
Aggregate emoluments (including benefits in kind)	246	242

Notes to the Financial Statements

(continued)

3 Employees (continued)

Pension costs

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

The funds of the defined benefit scheme are administered by Trustees and are separate from those of the Group An independent actuarial valuation is carried out every three years and contributions are paid to the scheme in accordance with the recommendation of the actuary The Group is currently paying contributions of £330,000 per annum

The total pension costs charged within the financial statements for the year amounted to £428,000 (2012 £415,000), comprising £498,000 personal pension plans and other costs (2012 £496,000) offset by £70 000 credit from the defined benefit scheme (2012 £81,000 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 2013 The major assumptions used in this valuation were as follows

	2013	2012
Discount rate	5 00%	5 00%
Inflation assumption	3 20%	2 80%
Rate of increase in pensions in payment	3 10%	2 80%
Revaluation in deferment	3 20%	2 80%
Rate of return on scheme assets	7 50%	7 50%
Post retirement mortality	SAPs 2003 tables with medium cohort improvements	SAPs 2003 tables with medium cohort improvements
Tax free cash	75% of members assumed to take one quarter of pension as tax free cash	75% of members assumed to take one quarter of pension as tax free cash

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

	2013	2012
Male currently aged 43	86 7	86 7
Female currently aged 43	89 1	89 1
Male currently aged 63	85 4	85 4
Female currently aged 63	88 1	88 1

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice

Notes to the Financial Statements

(continued)

3 Employees (continued)

Scheme assets

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

	2013	2012
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 2013 was an increase of 8 1%

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

	2013	2012
	£000	£000
Fair value of assets	9,886	9 126
Present value of funded obligations	(13,298)	(12,574)
Deficit prior to deferred taxation	(3,412)	(3,448)

Movement in deficit during the year

	2013	2012
	£000	£000
Deficit in scheme at beginning of year	(3,448)	(2,605)
Profit and loss credit	70	81
Contributions paid	539	397
Actuarial loss	(573)	(1,321)
Deficit in scheme at end of year	(3,412)	(3 448)

Amounts recognised in the statement of total recognised gains and losses

	2013	2012
	£000	£000
Actuarial loss	(573)	(1,321)

Amounts recognised in the profit and loss account

	2013	2012
	£000	£000
Interest cost	(614)	(672)
Expected return on assets	684	753
Total	70	81

Notes to the Financial Statements

(continued)

3 Employees (continued)

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

	2013	2012
	£000	£000
Other finance income	70	81
	70	81

Reconciliation of assets and defined benefit obligation

The changes in the assets during the year were

	2013	2012
	£000	£000
Fair value of assets at beginning of year	9,126	9 418
Expected return on assets	684	753
Contributions paid	539	397
Contributions by scheme participants	-	-
Benefits paid	(519)	(448)
Actuarial gain/(loss)	56	(994)
Fair value of assets at end of year	9,886	9 126

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

	2013	2012
	£000	£000
DBO at beginning of year	12 574	12,023
Interest cost	614	672
Benefits paid	(519)	(448)
Actuarial loss	629	327
DBO at end of year	13,298	12 574

Summary of prior year amounts

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Present value of DBO	(13,298)	(12,574)	(12,023)	(11 609)	(9,958)
Fair value of scheme assets	9,886	9,126	9 418	9 059	8,037
Deficit	(3,412)	(3,448)	(2 605)	(2,550)	(1,921)

Notes to the Financial Statements

(continued)

4 Taxation

The current Group tax charge for the year is £nil (2012 £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 23 75% (2012 25 5%) for the reasons set out in the following reconciliation

	2013 £000	2012 £000
Profit on ordinary activities before taxation	1,321	952
Tax on profit on ordinary activities at UK standard rate of corporation tax of 23 75% (2012 25 5%)	314	243
Factors affecting charge for the year		
Income from mutual activities	(424)	(416)
Expenses not deductible for tax purposes	71	76
Depreciation in excess of capital allowances	31	31
Depreciation on ineligible assets	5	29
(Decrease)/increase in other timing differences	-	(2)
Losses carried forward/(utilised)	3	39
Total current Group tax charge for the year	-	-

The Group has tax losses of £2,595,000 (2012 £2,682,000), 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 £712 000 (2012 £727,000), 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 £785,000 (2012 £828,000) which has not been recognised as the Group does not expect to recover this in the foreseeable future

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015 A reduction in the rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012 and further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) are planned

It has not yet been possible to quantify the full anticipated effect of the announced further 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

	2013 £000	2012 £000
United Kingdom	22,841	20 898
Republic of Ireland	1 729	978
	24,570	21,876

Notes to the Financial Statements

(continued)

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 2012	9,500	5,200	2,982	11	3,679	21,372
Additions	-	-	378	-	160	538
Write off	-	-	(464)	-	(1,538)	(2,002)
Revaluation	-	-	-	-	-	-
At 30 June 2013	9,500	5,200	2,896	11	2,301	19,908
Depreciation						
1 July 2012	-	-	2,182	11	3,403	5,596
Charge for year	96	-	352	-	185	633
Write off	-	-	(464)	-	(1,538)	(2,002)
Revaluation	-	-	-	-	-	-
At 30 June 2013	96	-	2,070	11	2,050	4,227
Net book value						
At 30 June 2013	9,404	5 200	826	-	251	15,681
At 30 June 2012	9 500	5 200	800	-	276	15,776

The Company

	Freehold Land & Buildings £000	Fixtures & Equipment £000	Motor Vehicles £000	Computer Software £000	Total £000
Cost or valuation					
1 July 2012	9 500	2 395	11	2,885	14,791
Additions	-	313	-	133	446
Write off	-	(464)	-	(1 538)	(2,002)
Revaluation	-	-	-	-	-
At 30 June 2013	9,500	2,244	11	1,480	13 235
Depreciation					
1 July 2012	-	1,729	11	2,661	4,401
Charge for year	96	286	-	141	523
Write off	-	(464)	-	(1,538)	(2,002)
Revaluation	-	-	-	-	-
At 30 June 2013	96	1,551	11	1,264	2 922
Net book value					
At 30 June 2013	9,404	693	-	216	10,313
At 30 June 2012	9,500	666	-	224	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 was agreed by the directors to be twenty years

Notes to the Financial Statements

(continued)

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 £600,000 of the temporary revaluation deficit shown in the 2011 accounts as permanent

At 30 June 2013 the net book value of assets held by the Group under finance leases and included within fixtures and equipment was £18,000 (2012 £15,000), with a charge for depreciation in the year of £8,000 (2012 £8 000)

Investment in subsidiary undertakings	The Company	
	2013	2012
	£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),
F Patterson, P J R Monkhouse and A N Pointer, Mrs S Potter-Price

Ultimate Flooring Limited is a retail buying group for floorcoverings retailers

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

Associated Independent Stores Trading Limited is a dormant company

Garden Retailers Organisation Limited is a dormant company

Notes to the Financial Statements

(continued)

7 Stock

	The Group		The Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Goods for re-sale	1,095	1 051	582	678

8 Debtors

	The Group		The Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade debtors	36,924	34,378	678	302
Amounts owed by group companies	-	-	3,477	6,347
Prepayments and accrued income	1,056	891	416	401
	37,980	35,269	4 571	7,050

9 Creditors

	The Group		The Company	
Amounts falling due within one year	2013	2012	2013	2012
	£000	£000	£000	£000
Bank loans and overdrafts	604	604	1,975	3,723
5% debenture stock	90	779	90	10
Trade creditors	42,125	41 487	1,831	1,718
Amounts owing to group companies	-	-	1,466	2 833
Amounts due under finance leases	2	10	-	-
Other creditors including taxation and social security costs	862	503	98	240
Accruals and deferred income	1,226	1,141	688	589
	44,909	44 524	6,148	9,113

10 Creditors

	The Group		The Company	
Amounts falling due after one year	2013	2012	2013	2012
	£000	£000	£000	£000
Bank loans	2,701	4,355	1,236	1,926
5% debenture stock	1,900	1 990	1,900	1 990
Amounts due under finance leases	-	2	-	-
	4,601	6 347	3,136	3,916
Bank loans payable				
Between 1 and 2 years	601	4 355	266	1,926
Between 2 and 5 years	2,100	-	970	-
	2,701	4 355	1,236	1,926
5% debenture stock payable				
Between 1 and 2 years	-	90	-	90
Between 2 and 5 years	1,900	1 900	1,900	1,900
	-	1,990	1,900	1,990
Amounts due under finance leases payable				
Between 1 and 2 years	-	2	-	-
Between 2 and 5 years	-	-	-	-
	-	2	-	-

The loan agreements with Lloyds TSB Bank plc were renewed in June 2013 at £3 3m The loans bear interest at 2 10% over LIBOR (2012 1 55% over LIBOR) The loans were secured by a first charge on the freehold properties of the Group

Notes to the Financial Statements

(continued)

10 Creditors (continued)

On 1 August 2006, 5% debenture stock was issued to participating members by Associated Independent Stores Limited with proceeds of £2 06m The debenture is redeemable between August 2011 and December 2016 at the option of the member on giving twelve months' notice and is secured by a second charge on Cranmore Place At 30 June 2013 £90,000 was repayable within one year

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

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

11 Provisions for Liabilities

Deferred taxation provided for in the accounts is £nil (2012 £nil), and the unprovided liability is £nil (2012 £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 (2012 £736,000)

14 Reserves

The Group	Revaluation reserve	General reserve for bad debts	Profit & loss account	Total
	£000	£000	£000	£000
At 1 July 2012	804	900	1,976	3,680
Profit for the year	-	-	1 321	1,321
Revaluation	300	-	-	300
Actuarial loss recognised in pension scheme	-	-	(573)	(573)
At 30 June 2013	1,104	900	2,724	4,728

	2013	2012
	£000	£000
Profit & loss account excluding pension liability	6,136	5,424
Pension liability	(3,412)	(3,448)
Profit & loss account including pension liability	2,724	1,976

Notes to the Financial Statements

(continued)

14 Reserves (continued)

The Company	Balance at 1 Jul 2012 £000	Profit for the year £000	Balance at 30 Jun 2013 £000
Profit for the year	5,190	1,093	6,283

15 Commitments under Operating Leases

At 30 June 2013 there were annual commitments of the Group and Company under operating leases as set out below

	The Group		The Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Plant and machinery				
Expiring between 1 and 5 years	92	57	92	57
Motor vehicles				
Expiring within 1 year	51	20	31	20
Expiring between 1 and 5 years	126	149	86	99
	269	226	209	176

16 Contingent Liabilities

	The Group		The Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Guarantee of bank loans and overdrafts of group companies	-	-	5,902	4 842
Potential liability under group VAT registration	-	-	914	413
Amounts due under forward currency contracts	-	762	-	762
	-	762	6,816	6 017

At 30 June 2013, the fair value of amounts due under forward currency contracts was £nil resulting in a nil gain or loss (2012 £765,000 resulting in a potential gain of £3,000)

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 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

Notes to the Financial Statements

(continued)

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	
	2013	2012	2013	2012
	£000	£000	£000	£000
Profit for the year	1,321	952	1,093	799
Actuarial loss in pension scheme	(573)	(1,321)	-	-
Revaluation	300	88	-	-
Net increase in reserves	1 048	(281)	1,093	799
Opening reserves	3,680	3 961	5,190	4,391
Closing reserves	4,728	3 680	6,283	5,190

The Company is taking advantage of the exemption conferred by section 408 of the Companies Act 2006 in not publishing its own profit and loss account Its profit for the year is shown above

18 Related Party Transactions

During the year the Company undertook transactions on an arm's length basis with member companies in which the directors have an interest The aggregate value of the transactions processed was £20,215,000 (2012 £35 075,000) and the aggregate value of the outstanding balances at the year end was £3 175 000 (2012 £2 549 000)

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

	2013	2012
	£000	£000
Operating profit	1,884	1 515
Depreciation	633	579
(Increase) in stock	(44)	(235)
(Increase)/decrease in debtors	(2,711)	579
Increase in creditors	1,071	990
Movements in pension scheme affecting operating activities	(539)	(397)
Net cash inflow from operating activities	294	3,031

Notes to the Financial Statements

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19 (b) Analysis of Cashflows

	2013	2012
Returns on investment and servicing of finance	£000	£000
Interest received	20	25
Interest paid	(353)	(369)
Net cash outflow for returns on investment and servicing of finance	(333)	(344)
Capital expenditure and financial investment		
Purchase of fixed assets	(538)	(761)
Net cash outflow for capital expenditure and financial investment	(538)	(761)
Financing		
Repayment of loans	(1,653)	(604)
Redemption of debentures	(779)	(70)
Net cash outflow for financing	(2,432)	(674)

19 (c) Analysis of Net Debt

	At 1 July 2012	Cashflow	At 30 June 2013
	£000	£000	£000
Cash at bank and in hand	5 903	(3,009)	2,894
Bank loans	(4,958)	1,653	(3,305)
Debentures	(2,769)	779	(1,990)
	(1,824)	(577)	(2,401)

20 Capital Commitment

At 30 June 2013 the Group had contracted capital expenditure, not provided, of £nil (2012 £nil)