



Associated Independent Stores Limited
Directors' report and financial statements
For the year ended 30 June 2007
Registered number 912655





Contents

Directors & Officers	2
Notice of Annual General Meeting	3
Directors' Report	4
Independent Auditors' Report	8
Consolidated Profit & Loss Account	10
Balance Sheets	11
Consolidated Cash Flow Statement	12
Notes to the Financial Statements	13

Directors

Executive

S A Cooper (Managing)
R V Blaney
E G Kelway-Bamber
J S Mallett
A H Smith

Ordinary

P J Glasswell (Chairman)
R J A Ball
R G Bremner
N E R Brown
J H Dorrell
B H Dreesmann
M J Isaac
M R Sheppard
R J Townrow

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

2 Cornwall Street, Birmingham B3 2DL

Solicitors

Moorhead James

Kildare House, 3 Dorset Rise, London EC4Y 8EN

Bankers

The Royal Bank of Scotland

5th Floor, 2 St Philips Place, Birmingham B3 2RB

Subsidiary Companies

AIS Property Limited
Cenpac (AIS) Limited
INTERSPORT UK Limited
Ultimate Flooring Limited
Associated Independent Stores Trading Limited
Furniture Island Limited
Garden Retailers Organisation Limited
Trade Islands Limited

Property investment company
Paying agent for member stores
Retail buying group for sporting goods retailers
Retail buying group for floorcoverings retailers
Dormant company
ecommerce company (dormant)
Retail buying group for garden centres (dormant)
ecommerce company (dormant)

All companies are incorporated in Great Britain



Notice of Annual General Meeting

Notice is hereby given that the Fortieth Annual General Meeting of Associated Independent Stores Limited will be held at the De Vere Belfry, Wishaw, Sutton Coldfield, West Midlands, B76 9PR, on Monday 14 April 2008 commencing at 5 15pm for the following purposes

- 1 To receive the directors' report and audited accounts for the year ended 30 June 2007
- 2 To elect directors
- 3 To confirm the reappointment of KPMG LLP auditors of the Company, in accordance with Section 485 of the Companies Act 2006, and to authorise the Board of directors to determine their remuneration for the ensuing year
- 4 To transact any other business

By Order of the Board,
A P Harper
Secretary

Sheward House
Cranmore Avenue
Shirley
Solihull
West Midlands
B90 4LF

17 October 2007

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 2007

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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss for that period

In preparing these financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgments and estimates that are reasonable and prudent,
- c state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d 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 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 1985. They have a 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 the Group, including INTERSPORT and Flooring One, had 337 members with a combined retail turnover of £1.9bn. During the year new members were recruited from the home and sporting goods sectors although this was offset by the resignation of several department store members. It is anticipated that this trend will continue.

Property

The refurbishment of Cranmore Place (formerly Cranmore House) is now complete and the property is currently being marketed to prospective tenants. A launch for local property agents was held in mid September and to date there has been significant interest.

Income from our exhibition area, Cranmore Park, has continued to exceed expectations. Additional space will be made available during 2008 to maximise the potential of the development.

Cenpac

Cenpac continues to be the core of our activity being recognised as a significant benefit by both members and suppliers. The total value of invoices processed by Cenpac increased by 4% to £406m (net of VAT). In a difficult trading environment the directors consider this to be a very satisfactory result.

A rebate of £400,000 will be distributed to members in proportion to their Cenpac turnover.

Operating and Financial Review (continued)

Merchandise

Furniture, the Group's largest merchandise sector representing over 50% of Cenpac's turnover, enjoyed significant growth in the year with member throughput increasing by 7%. Exclusive imported ranges have proved particularly successful with turnover increasing by more than 50% during the year.

Homewares remains a highly competitive market, particularly with the growth of supermarkets and e-tailers in this sector over the last few years. Despite this, during the period Cenpac throughput on homewares increased by 7%. The team has worked hard to source exclusive product and to protect margin with own label brands.

Fashion remains a difficult sector with strong competition both from the high street and increased concession activity within the membership. A freelance designer has been engaged recently to assist the team in the development of co-ordinated ranges for autumn/winter 2008.

Ecommerce

All Cenpac supplier invoices are now processed electronically, via EDI, Tradeislands or an optical character recognition reader. A newly developed website enables members to access images of invoices and to post stop notes electronically. Roll-out of the facility to all members should enable Cenpac to cease issuing paper invoices during 2008. Since February, Cenpac weekly statements have been sent electronically to all but a handful of members.

A major strategic initiative to establish a "one stop shop" furniture database was launched in April. Together with the existing central product database for fashion and homewares, this will reinforce the role of AIS as a central provider of product data, enabling members to reduce the complexity, unnecessary duplication and cost of implementing and maintaining their in-store and web-based systems. An updated version of membersnet is being developed to give it an enhanced role as the central portal providing access to both Cenpac information and two central databases.

With the increased importance of the internet, we continue to provide guidance and technical advice to members wishing to develop or upgrade their own websites. In addition and with strategic and creative input from the McCann Erickson advertising agency, we are developing an exciting new concept to launch central non-transactional websites under the "What" URL, commencing with www.whatfurniture.co.uk. The importance of a stronger internet presence for the membership collectively is recognised as a priority during the coming year.

INTERSPORT UK

INTERSPORT operates on behalf of 62 members with 148 stores. The total value of invoices processed by Cenpac on behalf of members of INTERSPORT UK grew by 7% during the year to £46.3m.

INTERSPORT continues to invest in marketing initiatives to increase brand awareness in key sporting arenas such as UK Athletics, the Premier Football League and the Northern Ireland Milk Cup. Despite a difficult trading environment there remains considerable scope to develop this sector further.

Flooring One

With the appointment of Glenn Harding to the position of Controller, in May of this year, we have taken the opportunity to review our strategy in this area and canvassed member and supplier views. As a result we have simplified future strategy.

Flooring One marketing initiatives continue to be well received with the majority of members using the Flooring One marketing pack. Turnover declined slightly, during the year, in line with market trends. Consolidation within the buying groups in this sector is widely predicted and we would welcome such a move.

Flooring One is a registered trademark of CCA Global Partners Inc and is operated under licence.

Operating and Financial Review (continued)**Procurement**

Members' aggregate savings from the AIS procurement scheme now total in excess of £1.4m. 88 members now participate in the group insurance scheme which offers considerable savings to members.

Personnel

We offer our sincere thanks to our loyal team at AIS who are steadfast in their efforts to increase members' profitability.

At the end of October, two long serving members of staff will retire. Terry Jenner, Cenpac Director, has been with the Company for some 39 years and has played a significant role in the development of Cenpac. Peter Gartside, who has been instrumental in the development of our own label linen ranges, retires after 26 years service. We thank them both and wish them a long and happy retirement.

Outlook

Whilst trading is set to be challenging over the coming year, it is encouraging that a number of members continue to expand their businesses as well as increasing their presence on the internet.

The Company has recently announced that it has formed a subsidiary company to assist garden centres with buying opportunities. There is a great deal of synergy with existing product groups and this exciting new venture will enable AIS to further increase its buying power.

Income from Cranmore Park, our exhibition space, continues to grow and we have received much positive feedback about the high quality of this venue. We are confident that our newly refurbished offices at Cranmore Place will prove to be a sound investment. Overall with the changes that have been made over recent years, we are well placed to continue to support independent retailers in the future and take advantage of new opportunities as they arise.

Directors

The directors during the course of the year were

R J A Ball		P J Glasswell	(appointed 23 April 2007)
R V Blaney		M J Isaac	
R G Bremner	(appointed 23 April 2007)	E G Kelway-Bamber	
N E R Brown		J S Mallett	
M Bullough	(retired 23 April 2007)	A D Philp	(retired 23 April 2007)
R Clarke	(retired 23 April 2007)	M R Sheppard	
S A Cooper		A H Smith	
J H Dorrell		R J Townrow	
B H Dreesmann	(appointed 23 April 2007)		

At the next Annual General Meeting Messrs Brown, Isaac and Townrow 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

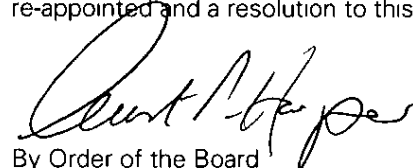
The directors have considered the Group's financial risk management objectives and policies in relation to interest rate risk, cash flow risk, credit risk, liquidity risk and foreign currency risk and have set out the objectives and policies in note 16 of the financial statements

Results

The results for the year are set out on page 10

Auditors

The Company's auditors, KPMG LLP, Chartered Accountants, have signified their willingness to be re-appointed and a resolution to this effect will be proposed at the Annual General Meeting



By Order of the Board
A P Harper
Secretary

17 October 2007

We have audited the Group and parent company financial statements (the 'financial statements') of Associated Independent Stores Limited for the year ended 30 June 2007 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the note of consolidated historical cost profits and losses, the reconciliations of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 30 June 2007 and of the Group's profit for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the directors' report is consistent with the financial statements

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

2 Cornwall Street

Birmingham

B3 2DL

8 February 2008

Consolidated Profit & Loss Account



for the year ended 30 June 2007

	Notes	2007 £000	2006 £000
Gross transaction value		419,987	402,252
Less throughput from member stores		(403,116)	(387,876)
Turnover	1 & 5	16,871	14,376
Cost of sales		(7,186)	(4,874)
Gross profit		9,685	9,502
Distribution costs		(46)	(85)
Administration expenses		(8,231)	(8,158)
		(8,277)	(8,243)
Member rebate paid in year	1	(400)	(300)
Group operating profit		1,008	959
Interest receivable and similar income	2	35	34
Interest payable and similar charges	2	(538)	(400)
Other finance costs	3b	(74)	(91)
		(577)	(457)
Profit on ordinary activities before taxation	2	431	502
Taxation	4	-	-
Retained profit		£431	£502

Note on Historical Cost Profits

	2007 £000	2006 £000
Reported profit on ordinary activities before taxation	431	502
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	23	22
Historical cost profit on ordinary activities before taxation	£454	£524
Historical cost profit retained	£454	£524

Statement of Total Recognised Gains & Losses for the year ended 30 June 2007

	Notes	2007 £000	2006 £000
Profit for the year		431	502
Unrealised profit on revaluation of property	6	508	-
Actuarial gain in pension scheme	3c	456	310
Total recognised gains relating to the year	14	£1,395	£812

The notes on pages 13 to 25 form part of these financial statements

as at 30 June 2007

	Notes	The Group		The Company	
		2007	2006	2007	2006
		£000	£000	£000	£000
Fixed assets					
Tangible assets	1 & 6	18,497	15,733	12,137	11,667
Investment in subsidiaries	6	-	-	101	101
		18,497	15,733	12,238	11,768
Current assets					
Stock	1 & 7	659	462	330	240
Debtors	8	32,849	35,263	2,958	1,831
Cash at bank and in hand		3,142	2,957	-	-
		36,650	38,682	3,288	2,071
Creditors amounts falling due within one year	9	(38,955)	(41,916)	(4,911)	(5,715)
Net current liabilities		(2,305)	(3,234)	(1,623)	(3,644)
Total assets less current liabilities		16,192	12,499	10,615	8,124
Creditors amounts falling due after more than one year	10	(10,045)	(6,946)	(7,694)	(6,135)
Net assets excluding pension liability		6,147	5,553	2,921	1,989
Pension liability	3	(1,870)	(2,671)	-	-
		£4,277	£2,882	£2,921	£1,989
Reserves					
Revaluation reserve	14	3,198	2,690	508	-
Other reserves	14	900	900	-	20
Profit & loss account	14	179	(708)	2,413	1,969
		£4,277	£2,882	£2,921	£1,989

These financial statements were approved by the board of directors on 17 October 2007 and signed on its behalf by

P J Glasswell

Directors

S A Cooper

The notes on pages 13 to 25 form part of these financial statements

Consolidated Cash Flow Statement

■ ■ ■

for the year ended 30 June 2007

	Notes	2007 £000	2006 £000
Cash inflow from operating activities	19 (a)	1,803	2,034
Returns on investments and servicing of finance	19 (b)	(614)	(430)
Taxation	4	-	-
Capital expenditure and financial investment	19 (b)	(2,646)	(4,546)
Acquisitions	19 (b)	-	-
Cash outflow before use of liquid resources and financing		(1,457)	(2,942)
Financing	19 (b)	1,642	3,029
Increase in cash in the year		£185	£87
 Reconciliation of net cash flow to movement in net debt	 19 (c)		
Increase in cash in the year		185	87
Cash inflow from increase in debt		(1,642)	(3,029)
Net increase in debenture premium accrued		(32)	(35)
Movement in net debt in the year		(1,489)	(2,977)
Net debt at 1 July 2006		(5,978)	(3,001)
Net debt at 30 June 2007		£(7,467)	£(5,978)

1 Accounting Policies

Basis of accounting

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

Basis of consolidation

The consolidated financial statements incorporate those of Associated Independent Stores Limited and all of its subsidiary undertakings for the year

Turnover

Group turnover comprises the following

- a Subscription income from member stores
- b Income retained for processing transactions on behalf of members through Cenpac
- c Merchandise purchased on a direct basis and subsequently invoiced to member stores
- d 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 these transactions. In order to provide additional information the gross transaction value is also shown on the face of the profit and loss account

Tangible fixed assets

Investment properties are properties held with the intention of earning rental income and are stated initially at cost less any provision for impairment. Subsequently they are carried at open market value. Cost includes directly attributable finance costs arising during the construction period

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% or 33% per annum
Motor vehicles	- 25% per annum
Computer software	- 25% per annum

Deferred taxation

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, by the balance sheet date except as allowed by FRS19 as detailed below. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date

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

1 Accounting Policies (continued)**Stock**

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

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Income and expenditure denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date and differences are taken to the profit and loss account.

Pensions

The Group operates a personal pension plan and also 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. As a result of the deficit in the defined benefit scheme, the Group is currently paying additional contributions of £375,000 per annum.

The Company participates in the group-wide defined benefit pension scheme providing benefits based on final pensionable earnings. 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.

Member rebate

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.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term. Assets held under finance leases are capitalised and shown in tangible fixed assets.

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		2007	2006
		£000	£000
Depreciation		588	589
Operating lease rentals	Plant and machinery	58	56
	Motor vehicles	176	165
		<hr/>	<hr/>
Auditors' remuneration		16	15
Audit of these financial statements		16	17
Audit of financial statement of subsidiaries		19	49
Other services relating to taxation		<hr/>	<hr/>
		£51	£81
		<hr/>	<hr/>
Interest receivable and similar income		35	34
Bank interest receivable		<hr/>	<hr/>

2 Group Profit on Ordinary Activities (continued)

	2007	2006
	£000	£000
Interest payable and similar charges	395	316
Bank loans and overdrafts	41	23
Debenture loans	102	61
Debenture premium	<u>£538</u>	<u>£400</u>

Interest payable is stated net of £198,000 of capitalised interest (2006 £99,000)

3 Employees

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

	2007 number	2006 number
Full-time	141	137
Part-time	<u>27</u>	<u>32</u>
	<u>168</u>	<u>169</u>

	£000	£000
Staff costs (excluding directors) during the year amounted to		
Wages and salaries	3,639	3,666
Social security costs	390	383
Other pension costs	<u>260</u>	<u>370</u>
	<u>£4,289</u>	<u>£4,419</u>

	£000	£000
Directors' remuneration consisted of		
Fees and salaries	575	476
Other emoluments (including pension contributions and benefits in kind)	<u>55</u>	<u>67</u>
	<u>£630</u>	<u>£543</u>

During the year, no retirement benefits accrued for directors under the defined benefit pension scheme
Ordinary directors did not receive any remuneration for their services

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

	2007	2006
	£000	£000
Aggregate emoluments (including benefits in kind)	204	180
Company contributions to defined benefit pension scheme	<u>-</u>	<u>23</u>
	<u>£204</u>	<u>£203</u>

	2007	2006
	£000	£000
Defined benefit pension scheme		
Accrued annual pension at the end of the year	<u>100</u>	<u>100</u>

No disclosure is made in respect of accrued lump sum benefits since if this option is taken the annual pension will be reduced

Pension Costs

The Group operates a personal pension plan and also a defined benefit scheme, which is closed to new members

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 annual contributions are paid to the scheme in accordance with the recommendation of the actuary

3 Employees (continued)

The total pension costs charged within the financial statements for the year amounted to £294,000 (2006 £418,000), comprising £98,000 defined benefit scheme and £196,000 personal pension plans, life assurance and other costs

The most recent valuation of the scheme was undertaken at 31 March 2005. The assets were valued at market value at close of business on 31 March 2005 at £7,540,000. The assumptions used in valuing the liabilities of the scheme were the investment returns (5.0% - 7.5%) relative to salary increases (3.0%), relative to pension increases, where provided (3.0%)

On this basis the actuarial value of the assets of the scheme represents 75% 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 £2,490,000 at 31 March 2005, is being spread over the future working lifetime as an additional percentage of pensionable earnings.

The valuation as at 31 March 2005 has been updated by the actuary on a FRS17 basis as at 30 June 2007. The major assumptions used in this valuation were as follows:

	2007	2006	2005	2004
Rate of increase in salaries	3.25%	2.75%	2.75%	3.00%
Rate of increase in pensions in payment	2.75%	2.25%	2.25%	2.25%
Discount rate	5.80%	5.40%	5.25%	5.70%
Inflation assumption	3.00%	2.50%	2.50%	2.50%

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.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 30 Jun 2007 £000	Value at 30 Jun 2006 £000	Value at 30 Jun 2005 £000	Value at 30 Jun 2004 £000
Investment funds	8,156	-	-	-
Long term rate of return	8%	-	-	-
Equities	-	4,714	4,065	3,448
Long term rate of return	-	7%	7%	7%
Bonds	-	2,821	2,668	1,921
Long term rate of return	-	5%	5%	5%
Cash	104	159	27	30
Long term rate of return	4%	3%	3%	3%
	<u>8,260</u>	<u>7,694</u>	<u>6,760</u>	<u>5,399</u>
Present value of scheme liabilities	<u>(10,130)</u>	<u>(10,365)</u>	<u>(9,827)</u>	<u>(8,523)</u>
Net pension liability	<u>£(1,870)</u>	<u>£(2,671)</u>	<u>£(3,067)</u>	<u>£(3,124)</u>

During the year, the trustees invested the majority of the assets of the scheme into the Newton Absolute Intrepid Fund and the Schroders Diversified Growth Fund.

3 Employees (continued)

Movement in deficit during the year

	2007	2006
	£000	£000
Deficit in scheme at beginning of year	(2,671)	(3,067)
Current service costs	(115)	(172)
Contributions paid	443	349
Settlements and curtailments	91	-
Other finance costs	(74)	(91)
Actuarial gain	456	310
Deficit in scheme at end of year	<u>£(1,870)</u>	<u>£(2,671)</u>

a Analysis of other pension costs charged in arriving at operating profit

	2007	2006
	£000	£000
Current service costs	(115)	(172)
Settlements and curtailments	91	-
	<u>£(24)</u>	<u>£(172)</u>

b Analysis of amounts included in other finance costs

	2007	2006
	£000	£000
Expected return on pension scheme assets	465	425
Interest on pension scheme liabilities	(539)	(516)
	<u>£(74)</u>	<u>£(91)</u>

c Analysis of amount recognised in statement of total recognised gains and losses

	2007	2006	2005	2004
	£000	£000	£000	£000
Actual return less expected return on scheme assets	464	316	601	304
Percentage of year end scheme assets	6%	4%	9%	6%
Experience gains and losses arising on scheme liabilities	-	(17)	(23)	-
Percentage of present value of year end scheme liabilities	-	-	-	-
Changes in assumptions underlying the present value of scheme liabilities	(8)	11	(598)	559
Percentage of present value of year end scheme liabilities	-	-	6%	7%
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	<u>£456</u>	<u>£310</u>	<u>£(20)</u>	<u>£863</u>
Percentage of present value of year end scheme liabilities	5%	3%	-	10%

4 Taxation

The current Group tax charge for the year is £nil (2006 £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 30% for the reasons set out in the following reconciliation

	2007 £000	2006 £000
Profit on ordinary activities before taxation	431	502
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30%	129	151
Factors affecting charge for the year		
Income from mutual activities	(305)	(284)
Expenses not deductible for tax purposes	7	113
Depreciation (lower than)/in excess of capital allowances	(4)	26
Depreciation on ineligible assets	6	-
Decrease in other timing differences	-	(2)
Losses carried forward/(utilised)	167	(4)
Total current Group tax charge for the year	-	-

The Group has tax losses of approximately £1,504,000 (2006 £962,000), 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 £66,000 (2006 £90,000), 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 approximately £561,000 (2006 £801,000) which has not been recognised as the Group does not expect to recover this in the foreseeable future.

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

	2007 £000	2006 £000
United Kingdom	16,001	13,553
Republic of Ireland	870	796
Cyprus	-	27
	£16,871	£14,376

6 Fixed Assets

Tangible assets

The Group

	Freehold Land & Buildings £000	Assets in the course of Construction £000	Fixtures & Equipment £000	Motor Vehicles £000	Computer Software £000	Total £000
Cost or valuation						
1 July 2006	14,829	352	3,189	55	4,172	22,597
Additions	2,378	-	188	-	278	2,844
Transfers	352	(352)	-	-	-	-
Write off	-	-	(336)	-	(138)	(474)
Revaluation	282	-	-	-	-	282
At 30 June 2007	<u>17,841</u>	<u>-</u>	<u>3,041</u>	<u>55</u>	<u>4,312</u>	<u>25,249</u>
Depreciation						
1 July 2006	112	-	2,915	51	3,786	6,864
Charge for year	114	-	189	4	281	588
Write off	-	-	(336)	-	(138)	(474)
Revaluation	(226)	-	-	-	-	(226)
At 30 June 2007	<u>-</u>	<u>-</u>	<u>2,768</u>	<u>55</u>	<u>3,929</u>	<u>6,752</u>
Net book value						
At 30 June 2007	<u>17,841</u>	<u>-</u>	<u>273</u>	<u>-</u>	<u>383</u>	<u>£18,497</u>
At 30 June 2006	<u>14,717</u>	<u>352</u>	<u>274</u>	<u>4</u>	<u>386</u>	<u>£15,733</u>

Included in freehold land and buildings is Cranmore Place which is an investment property owned by AIS Property Limited. It is held at a cost of £6,191,000 including capitalised interest of £297,000. As the refurbishment of Cranmore Place has only recently been completed, the directors consider that its value is not significantly different.

The remaining freehold land and buildings were valued on 30 June 2007 by external valuer, Bigwood Associates Limited trading as Bigwood Chartered Surveyors. The valuation was in accordance with the requirements of the RICS Appraisal and Valuation Standards and FRS 15. The valuation of the property 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.

The Company

	Freehold Land & Buildings £000	Fixtures & Equipment £000	Motor Vehicles £000	Computer Software £000	Total £000
Cost or valuation					
1 July 2006	11,247	2,713	55	3,514	17,529
Additions	121	89	-	238	448
Revaluation	282	-	-	-	282
At 30 June 2007	<u>11,650</u>	<u>2,802</u>	<u>55</u>	<u>3,752</u>	<u>18,259</u>
Depreciation					
1 July 2006	112	2,461	51	3,238	5,862
Charge for year	114	151	4	217	486
Revaluation	(226)	-	-	-	(226)
At 30 June 2007	<u>-</u>	<u>2,612</u>	<u>55</u>	<u>3,455</u>	<u>6,122</u>
Net book value					
At 30 June 2007	<u>11,650</u>	<u>190</u>	<u>-</u>	<u>297</u>	<u>£12,137</u>
At 30 June 2006	<u>11,135</u>	<u>252</u>	<u>4</u>	<u>276</u>	<u>£11,667</u>

6 Fixed Assets (continued)

Certain fixed assets held by the Company under finance leases are included within fixtures and equipment. The net book value of these assets at 30 June 2007 was £16,000 (2006 £48,000), with a charge for depreciation in the year of £32,000 (2006 £31,000).

Investment in subsidiary undertakings

	The Company	
	2007	2006
	£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
Furniture Island Limited	Great Britain	Ordinary
INTERSPORT UK Limited	Great Britain	Ordinary
Trade Islands 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 members of Associated Independent Stores Limited

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

Furniture Island Limited is an ecommerce company (currently dormant)

Present directors Mr J M Harding (Chairman), Miss S A Cooper (Managing),
Messrs J Alston, R V Blaney, S P Gilbert, S P Gill, P J Glasswell, M J Long and B Stitfall

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

Present directors Miss S A Cooper (Chairman),
Messrs M J Fowler, A D Giblett, I H Macpherson, R D Nuttall, G Wagstaff, Mrs A H Smith

Trade Islands Limited is an ecommerce company (currently dormant)

Present directors Mr B G Sturrock (Chairman), Miss S A Cooper (Managing),
Messrs R V Blaney and M J Long

Ultimate Flooring Limited is a retail buying group for floorcoverings retailers

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

Associated Independent Stores Trading Limited is a dormant company

7 Stock

	The Group		The Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Goods for re-sale	£659	£462	£330	£240

8 Debtors

	The Group		The Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Trade debtors	31,603	34,102	192	975
Amounts owed by group companies	-	-	1,962	-
Prepayments and accrued income	1,170	1,091	794	855
Other debtors	76	70	10	1
	<u>£32,849</u>	<u>£35,263</u>	<u>£2,958</u>	<u>£1,831</u>

9 Creditors

	The Group		The Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Amounts falling due within one year				
Bank loans and overdrafts	531	1,901	1,664	2,337
5% debenture stock	34	128	-	-
Trade creditors	35,934	37,834	1,331	1,328
Amounts due under finance leases	37	40	37	40
Amounts owed to group undertakings	-	-	-	849
Other creditors including taxation and social security costs	453	293	321	81
Accruals	1,966	1,720	1,558	1,080
	<u>£38,955</u>	<u>£41,916</u>	<u>£4,911</u>	<u>£5,715</u>

10 Creditors

	The Group		The Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Amounts falling due after one year				
Bank loans	7,133	6,130	5,633	6,095
5% debenture stock	2,911	776	2,060	-
Amounts due under finance leases	1	40	1	40
	<u>£10,045</u>	<u>£6,946</u>	<u>£7,694</u>	<u>£6,135</u>
Bank loans payable				
Between 1 and 2 years	679	519	604	484
Between 2 and 5 years	1,864	1,688	1,414	1,688
After 5 years	4,590	3,923	3,615	3,923
	<u>£7,133</u>	<u>£6,130</u>	<u>£5,633</u>	<u>£6,095</u>
5% debenture stock payable				
Between 1 and 2 years	8	20	-	-
Between 2 and 5 years	2,062	-	2,060	-
After 5 years	841	756	-	-
	<u>£2,911</u>	<u>£776</u>	<u>£2,060</u>	<u>-</u>
Amounts due under finance leases				
Between 1 and 2 years	1	39	1	39
Between 2 and 5 years	-	1	-	1
	<u>£1</u>	<u>£40</u>	<u>£1</u>	<u>£40</u>

£6.35m of long term bank loans bear interest at 1.45% over LIBOR (1.25% from 2009) with the remainder bearing interest at 1.00% over base rate. The loans are secured by a first charge on the freehold land and buildings of the Group.

10 Creditors (continued)

At 30 June 2007, £851,000 of the original 5% Sheward House debenture stock was repayable after more than one year. It is redeemable in 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, new 5% debenture stock was issued to participating members by Associated Independent Stores Limited with proceeds of £2.06m. The debenture is redeemable between 2011 and 2016 at the option of the member 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 the accounting policies on page 13 and included in the amount shown as debenture stock in this note.

11 Provisions for Liabilities and Charges

Deferred taxation provided for in the accounts is £nil (2006: £nil), and the unprovided liability is £nil (2006: £nil).

No provision has been made in respect of the liability to tax if the freehold property was 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 holds a charge over the guarantees given to the Company by the members and over Cenpac (AIS) Limited's purchasing agreements with members. It is also secured by a first charge on the freehold land and buildings of the Group and a charge over all the other assets of Group companies with the exception of Cenpac (AIS) Limited.

13 Member Guarantees

The total amount of guarantees given by members to the Company is £736,000 (2006: £762,000).

14. Reserves

The Group	Revaluation reserve	General reserve for bad debts	Profit & loss account	Total
	£000	£000	£000	£000
At 1 July 2006	2,690	900	(708)	2,882
Profit for the year	-	-	431	431
Revaluation	508	-	-	508
Actuarial gain recognised in pension scheme	-	-	456	456
At 30 June 2007	<u>£3,198</u>	<u>£900</u>	<u>£179</u>	<u>£4,277</u>
			2007	2006
			£000	£000
Profit & loss account excluding pension liability			2,049	1,963
Pension liability			(1,870)	(2,671)
Profit & loss account including pension liability			<u>£179</u>	<u>£(708)</u>

14 Reserves (continued)

The Company	Revaluation reserve	General reserve for bad debts	Profit & loss account	Total
	£000	£000	£000	£000
At 1 July 2006	-	20	1,969	1,989
Profit for the year	-	-	424	424
Revaluation	508	-	-	508
Transfer	-	(20)	20	-
At 30 June 2007	<u>£508</u>	<u>-</u>	<u>£2,413</u>	<u>£2,921</u>

15 Commitments under Operating Leases

At 30 June 2007 there were annual commitments of the Group and Company under operating leases as set out below

	The Group		The Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Plant and machinery				
Expiring between 1 and 5 years	58	58	58	58
Motor vehicles				
Expiring within 1 year	24	39	15	22
Expiring between 1 and 5 years	119	91	87	61
	<u>£201</u>	<u>£188</u>	<u>£160</u>	<u>£141</u>

16 Contingent Liabilities

	The Group		The Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Guarantee of bank loans and overdrafts of group companies	-	-	3,016	1,001
Guarantee of members' balances due to Toymaster Limited	1,962	2,103	1,962	2,103
Potential liability under group VAT registration	-	-	114	192
Amounts due under forward currency contracts	986	857	986	857
	<u>£2,948</u>	<u>£2,960</u>	<u>£5,843</u>	<u>£4,153</u>

Mr J S Mallett, a director of the Company, was chairman of Toymaster Limited during the year (resigned 3 October 2007)

At 30 June 2007, the fair value of amounts due under forward currency contracts was £972,000 resulting in a potential liability of £14,000. 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 £5m 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. The Group maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations.

Foreign currency risk

The foreign currency exposure of the Group is low because the vast 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	
	2007	2006	2007	2006
	£000	£000	£000	£000
Profit for the year	431	502	424	646
Unrealised profit on revaluation of property	508	-	508	-
Actuarial gain in pension scheme	456	310	-	-
Net addition to reserves	1,395	812	932	646
Opening reserves	2,882	2,070	1,989	1,343
Closing reserves	£4,277	£2,882	£2,921	£1,989

The Company is taking advantage of the exemption conferred by S230 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 £38,442,000 (2006: £30,709,000) and the aggregate value of the outstanding balances at the year end was £2,980,000 (2006: £1,954,000).

Such related party transactions of subsidiary undertakings are disclosed in the financial statements of those companies.

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

	2007	2006
	£000	£000
Operating profit	1,008	959
Depreciation	588	589
Increase in stocks	(197)	(203)
Decrease in debtors	2,414	4,488
Decrease in creditors	(2010)	(3,799)
Net cash inflow from operating activities	£1,803	£2,034

19 (b) Analysis of Cashflows

	2007	2006
	£000	£000
Returns on investment and servicing of finance		
Interest received	35	34
Interest paid	(579)	(438)
Debenture premium paid	(70)	(26)
Net cash outflow for returns on investment and servicing of finance	<u>£(614)</u>	<u>£(430)</u>
Capital expenditure and financial investment		
Purchase of fixed assets	(2,646)	(4,545)
Assets acquired	-	(1)
Net cash outflow for capital expenditure and financial investment	<u>£(2,646)</u>	<u>£(4,546)</u>
Acquisitions		
Net assets acquired	-	(85)
Cash acquired	-	85
Net cash inflow for acquisitions	<u>-</u>	<u>-</u>
Financing		
Additional secured loan	1,500	6,500
Additional unsecured loan	35	-
Additional debentures	2,060	-
Repayment of loans	(1,902)	(3,452)
Redemption of debentures	(51)	(19)
Net cash inflow for financing	<u>£1,642</u>	<u>£3,029</u>

19 (c) Analysis of Net Debt

	At 1 July 2006	Cashflow	Net increase in accrued premium	At 30 June 2007
	£000	£000	£000	£000
Cash at bank and in hand	2,957	185	-	3,142
Bank loans	(8,031)	367	-	(7,664)
Debentures	(904)	(2,009)	(32)	(2,945)
	<u>£(5,978)</u>	<u>£(1,457)</u>	<u>£(32)</u>	<u>£(7,467)</u>

20 Capital commitment

At 30 June 2007 the Group had contracted capital expenditure, not provided, of £87,000 (2006 £1,859,000)