



**Associated Independent Stores Limited**  
**Directors' report and financial statements**

**For the year ended 30 June 2006**

**Registered number 912655**

WEDNESDAY



\*ABUQHN9I\*

A30

21/02/2007

331

COMPANIES HOUSE



## 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 and Officers



### Directors

#### Executive

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

#### Ordinary

**M Bullough (Chairman)**  
**R J A Ball**  
**N E R Brown**  
**R Clarke**  
**H J Dorrell**  
**M J Isaac**  
**A D Philp**  
**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

5<sup>th</sup> 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**

#### **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)*

*ecommerce company (dormant)*

All companies are incorporated in Great Britain

## ■ ■ ■ Notice of Annual General Meeting

Notice is hereby given that the Thirty Ninth 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 23 April 2007 commencing at 5.30pm for the following purposes:

1. To receive the directors' report and audited accounts for the year ended 30 June 2006.
2. To elect directors.
3. To re-appoint KPMG LLP auditors of the Company, in accordance with Section 348 (1) of the Companies Act 1985, 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

6 December 2006

### **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 2006.

### 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 supplier accounts.

### Operating and Financial Review

#### Membership

At 30 June the Group, including INTERSPORT and Flooring One, had 340 members with a combined turnover at retail of £1.8bn. This is on a par with the previous year. Although several department store members left during the year the effect was offset by new members mainly specialising in the home and sporting goods sectors. A trend which is forecast to continue.

#### Property

On 1 February 2006, the Group acquired Cranmore House, an adjacent property, for £3.4m (excluding stamp duty). This is a 38,000 sq ft office complex which is currently being refurbished. This work will be completed in early 2007 and the offices will then be let to external tenants. The prospective letting rentals will be set at a lower level than those for new buildings in the area and it is anticipated that this will enable the building to be fully let at the earliest opportunity.

In order to help fund the purchase of Cranmore House debentures were offered to members. In total £2.06m was raised which is an excellent result. We would like to take this opportunity to thank members for their considerable support. The acquisition of Cranmore House will provide the Group with increased opportunities in the future and should prove to be a sound investment.

## Operating and Financial Review (continued)

### Cenpac

Cenpac continues to be recognised as a significant benefit by both members and suppliers. The total value of invoices processed by Cenpac (net of VAT) was £391m. After adjustment for Flooring One, which became a wholly owned subsidiary during the period, this represents a decrease of 4.5% on the previous year. The directors consider this to be satisfactory in a difficult trading environment with a changing membership base.

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

### Merchandise

Furniture remains the Group's largest merchandise sector, representing c50% of Cenpac's turnover. In February we welcomed a new merchandise director for the home sector, Euan Kelway-Bamber. Euan's considerable experience in the furniture sector is becoming a real benefit to the team. New strategies are being implemented to help drive this division forward. In particular the internet is seen as a growing opportunity for the future and an active etail site will be launched in January. Significant progress has been made on our imported furniture ranges, with turnover in this category showing a three-fold increase over the previous year. Turnover with our leading UK suppliers is also growing and after a difficult period for many furniture retailers at the start of the year, members have seen improvement in recent months.

The homewares sector remains difficult with increasing competition from major multiples including supermarkets. A number of innovative promotional and exclusive ranges have been introduced to help members compete in this environment and these have been well received.

The fashion area continues to be highly competitive but we received very positive feedback from members on own label fashion ranges at recent shows. Our strategy in this sector is to focus on the creation of a stylish own label offer to enable members to drive volume. The trend towards external brands and concessions continues.

### Ecommerce

Over 45% of all supplier invoices are now being received electronically within Cenpac and a pilot has begun for individual invoices to be forwarded to members as electronic files rather than in paper format. Almost 200 members are taking their weekly Cenpac statements electronically and the remaining members have been asked to do so by 1 January 2007.

A new central product database and web ordering facility will bring the opportunity for widespread benefits to all members retailing fashion and homewares.

### INTERSPORT UK

Despite a very difficult trading environment for sporting goods retailers, INTERSPORT made good progress, achieving 7% growth in Cenpac throughput to £43m and making a contribution towards AIS's overheads of £0.5m. Significant marketing activity during the year, in conjunction with leading brands, has increased the awareness of the INTERSPORT name.

At 30 June, there were 66 members of INTERSPORT, representing 155 stores with an annual turnover at retail of £169m. There remains considerable scope for the further development of this sector.

### Flooring One

The ongoing project to reinforce Flooring One as the Group's own label offer is allowing the conversion of many medium size departments and there are currently 94 stores in the programme. Recently, Flooring One was voted the best buying group of the year in the 2006 awards of Retail Floors Magazine. We would like to congratulate David Grebby and his team on this award.

With effect from 1 July 2005, Flooring One became wholly owned by the Group with CCA Global Partners retiring by mutual consent from the partnership which had previously existed. The Flooring One name continues to be owned by CCA Global Partners and is used under a 99 year licence.

## Operating and Financial Review (continued)

### Procurement

The AIS procurement service continues to grow and aggregate savings are close to £1.2m. More than 70 members are benefiting from the AIS insurance scheme, enjoying reduced premiums, enhanced cover and the potential for a no claims rebate.

### Personnel

We are very fortunate to employ a loyal and committed team at AIS. They work hard to improve performance and deliver a high quality service to members. We offer our sincere thanks to them.

### Outlook

The new financial year has started well with Cenpac throughput showing an increase in the first 22 weeks of 6.2%. In particular the furniture sector and INTERSPORT are showing significant growth. Independent retailers have an important role to play in the marketplace and there remain several opportunities for the Group to further enhance its role.

Income from our enlarged exhibition area, Cranmore Park, has exceeded our expectations. We aim to build upon this success to earn additional revenue to develop further our core buying group activities.

The acquisition of adjacent property, Cranmore House, offers further opportunities for the future.

### Directors

The directors during the course of the year were:

R J A Ball	(appointed 24 April 2006)	P J Glasswell	(retired 24 April 2006)
D C Banbury	(retired 24 April 2006)	M J Isaac	
R V Blaney		E G Kelway-Bamber	(appointed 22 February 2006)
N E R Brown		J S Mallett	
M Bullough		A D Philp	
R Clarke		M R Sheppard	(appointed 24 April 2006)
S A Cooper		A H Smith	
H J Dorrell	(appointed 24 April 2006)	J L Todd	(resigned 15 September 2005)
G D Evans	(retired 24 April 2006)	R J Townrow	

At the next Annual General Meeting Messrs Bullough, Clarke and Philp will retire by rotation.

### Directors' Interests

The directors do not hold any shares in the Company which is limited by the guarantee of members.

The following directors have a beneficial interest in the nominal value of debentures issued by a wholly owned subsidiary, AIS Property Limited:

		30 June 2006	1 July 2005
		£	£
R J A Ball	Wroe's (Bude) Limited	880	880
N E R Brown	W P Brown Limited	5,220	5,220
M Bullough	McEwens of Perth Limited	3,270	3,270
H J Dorrell	Russell & Dorrell Limited	8,990	8,990
M J Isaac	Oldrid & Co Limited	10,910	10,910
R J Townrow	C J Townrow & Sons Limited	2,360	2,360

### 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

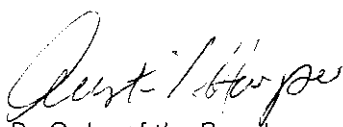
The directors have considered the Group's financial risk management objectives and policies in relation to interest rate risk, cash flow risk, credit risk, liquidity risk and foreign currency risk and have set out the objectives and policies in note 16 of the financial statements.

### 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

6 December 2006



We have audited the Group and parent company financial statements (the 'financial statements') of Associated Independent Stores Limited for the year ended 30 June 2006 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 2006 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

6 December 2006

# Consolidated Profit & Loss Account



for the year ended 30 June 2006

	Notes	2006	2005 restated
		£000	£000
<b>Gross transaction value</b>		402,252	389,373
Less throughput from member stores		(387,876)	(377,630)
<b>Turnover</b>	1 & 5	14,376	11,743
Cost of sales		(4,874)	(3,190)
<b>Gross profit</b>		9,502	8,553
Distribution costs		(85)	(51)
Administration expenses		(8,158)	(7,637)
		(8,243)	(7,688)
Member rebate paid in year	1	(300)	(300)
Other operating income		-	267
<b>Group operating profit</b>		959	832
Interest receivable & similar income	2	34	40
Interest payable & similar charges	2	(400)	(360)
Other finance costs	3b	(91)	(140)
		(457)	(460)
<b>Profit on ordinary activities before taxation</b>	2	502	372
Taxation	4	-	-
<b>Retained profit</b>		£502	£372

## Note on Historical Cost Profits

	2006	2005 restated
	£000	£000
Reported profit on ordinary activities before taxation	502	372
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	22	36
Historical cost profit on ordinary activities before taxation	£524	£408
Historical cost profit retained	£524	£408

## Statement of Total Recognised Gains & Losses for the year ended 30 June 2006

	Notes	2006	2005 restated
		£000	£000
Profit for the year		502	372
Unrealised profit on revaluation of property		-	440
Actuarial gain/(loss) in pension scheme	3c	310	(20)
Total recognised gains relating to the year	14	812	792
Prior year adjustments	14	(2,767)	-
Total gains and losses recognised since last annual report		£(1,955)	£792

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

as at 30 June 2006

	Notes	The Group 2006 £000	2005 restated £000	The Company 2006 £000	2005 £000
<b>Fixed assets</b>					
Tangible assets	1 & 6	15,733	11,677	11,667	11,498
Investment in subsidiaries	6	-	-	101	101
		15,733	11,677	11,768	11,599
<b>Current assets</b>					
Stock	1 & 7	462	259	240	61
Debtors	8	35,263	39,751	1,831	892
Cash at bank & in hand		2,957	2,870	-	-
		38,682	42,880	2,071	953
<b>Creditors:</b> amounts falling due within one year	9	(41,916)	(44,225)	(5,715)	(6,934)
<b>Net current liabilities</b>		(3,234)	(1,345)	(3,644)	(5,981)
<b>Total assets less current liabilities</b>		12,499	10,332	8,124	5,618
<b>Creditors:</b> amounts falling due after more than one year	10	(6,946)	(5,195)	(6,135)	(4,275)
<b>Net assets excluding pension liability</b>		5,553	5,137	1,989	1,343
Pension liability	3	(2,671)	(3,067)	-	-
		£2,882	£2,070	£1,989	£1,343
<b>Reserves</b>					
Revaluation reserve	14	2,690	2,712	-	-
Other reserves	14	900	900	20	20
Profit & loss account	14	(708)	(1,542)	1,969	1,323
		£2,882	£2,070	£1,989	£1,343

M Bullough

Directors

S A Cooper

6 December 2006

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

# Consolidated Cash Flow Statement



for the year ended 30 June 2006

	Notes	2006	2005
		£000	£000
Cash inflow from operating activities	19 (a)	2,034	1,978
Returns on investments and servicing of finance	19 (b)	(430)	(300)
Taxation	4	-	-
Capital expenditure and financial investment	19 (b)	(4,546)	(2,320)
Acquisitions	19 (b)	-	-
<b>Cash outflow before use of liquid resources and financing</b>		<u>(2,942)</u>	<u>(642)</u>
Financing	19 (b)	3,029	390
<b>Increase/(decrease) in cash in the year</b>		<u>£87</u>	<u>£(252)</u>
 <b>Reconciliation of net cash flow to movement in net debt</b>	19 (c)		
Increase/(decrease) in cash in the year		87	(252)
Cash inflow from increase in debt		(3,029)	(390)
Net increase in debenture premium accrued		<u>(35)</u>	<u>(33)</u>
<b>Movement in net debt in the year</b>		<u>(2,977)</u>	<u>(675)</u>
<b>Net debt at 1 July 2005</b>		<u>(3,001)</u>	<u>(2,326)</u>
<b>Net debt at 30 June 2006</b>		<u>£(5,978)</u>	<u>£(3,001)</u>

## 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.

### Changes in accounting policies

The Group has adopted FRS17: Retirement Benefits and FRS21: Events after the Balance Sheet Date. The adoption of these standards represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effects of prior year adjustments are given in note 14.

### 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

Fixed assets include property professionally valued by independent chartered surveyors on a market value basis with vacant possession. Subsequent expenditure and other fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets, other than the freehold land, 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

The debenture holders are entitled upon redemption to a premium which is calculated by way of a formula set out in the debenture trust deed. This premium is principally based upon a proportion of the increase in the value of certain group property, on a market value basis with vacant possession. 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 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 £360,000 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:		2006	2005
		£000	£000
Depreciation		589	701
Auditors' remuneration:	Audit (of which £15,300 related to parent undertaking)	32	31
	Other services	49	20
Operating lease rentals:	Plant & machinery	56	28
	Motor vehicles	165	167
		<hr/>	<hr/>
Interest receivable and similar income:			
Bank interest receivable		34	40
		<hr/>	<hr/>
Interest payable and similar charges:			
Bank loans and overdrafts		316	305
Debenture loans		23	24
Debenture premium		61	31
		<hr/>	<hr/>
		£400	£360

### 3. Employees

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

	2006 number	2005 number
Full-time	137	141
Part-time	32	29
	<u>169</u>	<u>170</u>

Staff costs (excluding directors) during the year amounted to:

	£000	£000 restated
Wages & salaries	3,666	3,620
Social security costs	383	323
Other pension costs	370	442
	<u>£4,419</u>	<u>£4,385</u>

Directors' remuneration consisted of:

	£000	£000
Fees and salaries	476	491
Other emoluments (including pension contributions and benefits in kind)	67	62
	<u>£543</u>	<u>£553</u>

During the year retirement benefits accrued for one director under a 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:

	2006 £000	2005 £000
Aggregate emoluments (including benefits in kind)	<u>180</u>	<u>172</u>
Defined benefit pension scheme:		
Accrued annual pension at the end of the year	<u>100</u>	<u>88</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.

The total pension costs charged within the financial statements for the year amounted to £418,000 (2005: £485,000 – restated, see note 14), comprising £263,000 defined benefit scheme and £155,000 personal pension plans, life assurance/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%).



**3. Employees (continued)**

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 an FRS17 basis as at 30 June 2006. The major assumptions used in this valuation were as follows:

	2006	2005	2004
Rate of increase in salaries	2.75%	2.75%	3.00%
Rate of increase in pensions in payment	2.25%	2.25%	2.25%
Discount rate	5.40%	5.25%	5.70%
Inflation assumption	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 2006 £000	Value at 30 Jun 2005 £000	Value at 30 Jun 2004 £000
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	159	27	30
Long term rate of return	3%	3%	3%
	<u>7,694</u>	<u>6,760</u>	<u>5,399</u>
Present value of scheme liabilities	(10,365)	(9,827)	(8,523)
Net pension liability	<u>£(2,671)</u>	<u>£(3,067)</u>	<u>£(3,124)</u>

**3. Employees (continued)**

Movement in deficit during the year:

	2006 £000	2005 £000
Deficit in scheme at beginning of year	(3,067)	(3,124)
Current service costs	(172)	(199)
Contributions paid	349	427
Past service costs	-	(11)
Other finance costs	(91)	(140)
Actuarial gain/(loss)	310	(20)
Deficit in scheme at end of year	<u>£(2,671)</u>	<u>£(3,067)</u>

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

	2006 £000	2005 £000
Current service costs	(172)	(199)
Past service costs	-	(11)
	<u>£(172)</u>	<u>£(210)</u>

b. Analysis of amounts included in other finance costs

	2006 £000	2005 £000
Expected return on pension scheme assets	425	351
Interest on pension scheme liabilities	(516)	(491)
	<u>£(91)</u>	<u>£(140)</u>

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

	2006 £000	2005 £000	2004 £000
Actual return less expected return on scheme assets	316	601	304
Percentage of year end scheme assets	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	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>£310</u>	<u>£(20)</u>	<u>£863</u>
Percentage of present value of year end scheme liabilities	3%	-	10%

#### 4. Taxation

The current Group tax charge for the year is £nil (2005: £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:

	2006 £000	2005 £000
Profit on ordinary activities before taxation	502	372
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30%	151	112
Factors affecting charge for the year:		
Income from mutual activities	(284)	(252)
Expenses not deductible for tax purposes	113	30
Depreciation in excess of capital allowances	26	20
(Decrease)/increase in other timing differences	(2)	67
Losses (utilised)/carried forward	(4)	25
Tax rate lower than 30% on tax profits	-	(2)
<b>Total current Group tax charge for the year</b>	<b>-</b>	<b>-</b>

The Group has tax losses of approximately £962,000 (2005: £961,000), 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 £90,000 (2005: £67,000), 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 £801,000 (2005: £920,000) 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:

	2006 £000	2005 £000
United Kingdom	13,553	10,954
Republic of Ireland	796	735
Cyprus	27	54
	<b>£14,376</b>	<b>£11,743</b>

## 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
<b>Cost or valuation</b>						
1 July 2005	10,925	-	2,989	55	3,983	17,952
Acquired	-	-	1	-	-	1
Additions	3,904	352	199	-	189	4,644
At 30 June 2006	14,829	352	3,189	55	4,172	22,597
<b>Depreciation</b>						
1 July 2005	-	-	2,746	45	3,484	6,275
Charge for year	112	-	169	6	302	589
At 30 June 2006	112	-	2,915	51	3,786	6,864
<b>Net book value</b>						
At 30 June 2006	14,717	352	274	4	386	£15,733
At 30 June 2005	10,925	-	243	10	499	£11,677

Included in freehold land and buildings and assets in the course of construction is Cranmore House which will, when refurbished, be an investment property. It is held at a cost of £3,934,000.

The remaining freehold land and buildings are carried at valuation. External Valuers, Bigwood Chartered Surveyors, revalued the land and buildings of the Group, on a market value basis with vacant possession at £10.925m on 30 June 2005, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The directors are of the opinion that the value at 30 June 2006 was not significantly different. If the freehold land and buildings had not been revalued they would have been carried in the balance sheet at 30 June 2006 at a cost of £12.3m (2005: £8.4m).

#### The Company

	Freehold Land & Buildings £000	Fixtures & Equipment £000	Motor Vehicles £000	Computer Software £000	Total £000
<b>Cost or valuation</b>					
1 July 2005	10,925	2,520	55	3,346	16,846
Additions	322	193	-	168	683
At 30 June 2006	11,247	2,713	55	3,514	17,529
<b>Depreciation</b>					
1 July 2005	-	2,307	45	2,996	5,348
Charge for year	112	154	6	242	514
At 30 June 2006	112	2,461	51	3,238	5,862
<b>Net book value</b>					
At 30 June 2006	11,135	252	4	276	£11,667
At 30 June 2005	10,925	213	10	350	£11,498

Certain fixed assets held under finance leases are included within fixtures and equipment. The net book value of these assets at 30 June 2006 was £48,000 (2005: £74,000), with a charge for depreciation in the year of £31,000 (2005: £30,000).

**6. Fixed Assets (continued)****Investment in subsidiary undertakings**

	The Company	
	2006	2005
	£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 C J Ormerod (Chairman); Miss S A Cooper (Managing);  
Messrs T Deacon; J M Harding; 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; I H Macpherson and R D Nuttall; 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 and Mr J S Mallett

**Associated Independent Stores Trading Limited** is a dormant company.

**7. Stock**

	The Group		The Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Goods for re-sale	<u>£462</u>	<u>£259</u>	<u>£240</u>	<u>£61</u>

**8. Debtors**

	The Group		The Company	
	2006	2005	2006	2005
	£000	restated £000	£000	£000
Trade debtors	34,102	38,527	975	290
Prepayments & accrued income	1,091	701	855	601
Other debtors	70	523	1	1
	<u>£35,263</u>	<u>£39,751</u>	<u>£1,831</u>	<u>£892</u>

**9. Creditors**

	The Group		The Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Bank loans & overdrafts	1,901	681	2,337	1,890
5% debenture stock	128	75	-	-
Trade creditors	37,834	41,739	1,328	687
Amounts due under finance leases	40	34	40	34
Amounts owed to group undertakings	-	-	849	2,995
Other creditors including taxation & social security costs	293	405	81	210
Accruals	1,720	1,291	1,080	1,118
	<u>£41,916</u>	<u>£44,225</u>	<u>£5,715</u>	<u>£6,934</u>

**10. Creditors**

	The Group		The Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
<b>Amounts falling due after one year</b>				
Bank loans	6,130	4,302	6,095	4,195
5% debenture stock	776	813	-	-
Amounts due under finance leases	40	80	40	80
	<u>£6,946</u>	<u>£5,195</u>	<u>£6,135</u>	<u>£4,275</u>
Bank loans payable				
Between 1 & 2 years	519	772	484	700
Between 2 & 5 years	1,688	2,000	1,688	1,965
After 5 years	3,923	1,530	3,923	1,530
	<u>£6,130</u>	<u>£4,302</u>	<u>£6,095</u>	<u>£4,195</u>
5% debenture stock payable				
Between 1 & 2 years	20	35	-	-
After 5 years	756	778	-	-
	<u>£776</u>	<u>£813</u>	<u>-</u>	<u>-</u>
Amounts due under finance leases				
Between 1 & 2 years	39	34	39	34
Between 2 & 5 years	1	46	1	46
	<u>£40</u>	<u>£80</u>	<u>£40</u>	<u>£80</u>

All the long term bank loans bear interest at 1.00% over base rate with the exception of a loan for £5.0m (interest 1.45% over LIBOR until 2009, then 1.25%). The loans are secured by a first charge on the freehold land and buildings of the Group.

The 5% debenture stock 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. A premium is payable on redemption which is accrued as described in the accounting policies on page 13 and included in the amount shown as debenture stock above.

**10. Creditors (continued)**

On 1 August 2006, new 5% debenture stock was issued to members with net proceeds of £2.06m. The debenture is redeemable between 2011 and 2016 and is secured by a second charge on Cranmore House. The funds raised were used to repay £1.5m of bank loans with the remainder of the money used to partly fund the refurbishment of Cranmore House.

**11. Provisions for Liabilities and Charges**

Deferred taxation provided for in the accounts is £nil (2005: £nil), and the unprovided liability is £nil (2005: £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 £762,000 (2005: £763,000).

**14. Reserves**

<b>The Group</b>	Revaluation reserve	General reserve for bad debts	Profit & loss account	Total
	£000	£000	£000	£000
At 1 July 2005	2,712	900	1,225	4,837
Prior year adjustments:				
FRS17			(3,067)	(3,067)
FRS21	-	-	300	300
At 1 July 2005 – restated	2,712	900	(1,542)	2,070
Profit for the year	-	-	502	502
Actuarial gain recognised in pension scheme	-	-	310	310
Transfer	(22)	-	22	-
At 30 June 2006	<u>£2,690</u>	<u>£900</u>	<u>£(708)</u>	<u>£2,882</u>
			2006	2005
			£000	£000
Profit & loss account excluding pension liability			1,963	1,525
Pension liability			(2,671)	(3,067)
Profit & loss account including pension liability			<u>£(708)</u>	<u>£(1,542)</u>

The adoption of FRS17: Retirement Benefits has resulted in an increase in the reported profit before tax for the year ended 30 June 2006 of £86,000 (2005: £46,000). The adoption of FRS21: Events after the Balance Sheet Date has had no effect on the reported profit before tax for either 2006 or 2005.

# 14. Reserves (continued)

The Company	General reserve for bad debts £000	Profit & loss account £000	Total £000
At 1 July 2005	20	1,323	1,343
Profit for the year	-	646	646
At 30 June 2006	<u>£20</u>	<u>£1,969</u>	<u>£1,989</u>

# 15. Commitments under Operating Leases

At 30 June 2006 there were annual commitments of the Group and Company under operating leases as set out below:

	The Group		The Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Plant and machinery Expiring between 1 & 5 years	58	28	58	28
Motor vehicles Expiring within 1 year	39	34	22	34
Expiring between 1 & 5 years	<u>91</u>	<u>76</u>	<u>61</u>	<u>53</u>
	<u>£188</u>	<u>£138</u>	<u>£141</u>	<u>£115</u>

# 16. Contingent Liabilities

	The Group		The Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Guarantee of bank loans & overdrafts of group companies	-	-	1,001	1,212
Guarantee of members' balances due to Toymaster Limited	2,103	2,356	2,103	2,356
Potential liability under group VAT registration	-	-	192	196
Amounts due under forward currency contracts	857	343	857	343
	<u>£2,960</u>	<u>£2,699</u>	<u>£4,153</u>	<u>£4,107</u>

Mr J S Mallett, a director of the Company, is chairman of Toymaster Limited.

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	
	2006	2005 restated	2006	2005
	£000	£000	£000	£000
Profit for the year	502	372	646	365
Unrealised profit/(loss) on revaluation of property	-	440	-	(16)
Actuarial gain/(loss) in pension scheme	310	(20)	-	-
Net addition to reserves	812	792	646	349
Opening reserves (see note below)	2,070	1,278	1,343	994
Closing reserves	<u>£2,882</u>	<u>£2,070</u>	<u>£1,989</u>	<u>£1,343</u>

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.

The opening reserves of the Group at 1 July 2005 were previously £4,837,000 before deducting prior year adjustments of £2,767,000 (see note 14).

**18. Related Party Transactions**

During the year the Company undertook transactions on an arm's length basis with member companies in which the directors have an interest. The aggregate value of the transactions processed was £30,709,000 (2005: £44,694,000) and the aggregate value of the outstanding balances at the year end was £1,954,000 (2005: £3,178,000).

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**

	2006	2005 restated
	£000	£000
Operating profit	959	832
Depreciation	589	701
Increase in stocks	(203)	(74)
Decrease in debtors	4,488	896
Decrease in creditors	(3,799)	(377)
<b>Net cash inflow from operating activities</b>	<u>£2,034</u>	<u>£1,978</u>

## 19. (b) Analysis of Cashflows

	2006 £000	2005 £000
<b>Returns on investment &amp; servicing of finance</b>		
Interest received	34	40
Interest paid	(438)	(329)
Debenture premium paid	(26)	(11)
<b>Net cash outflow for returns on investment &amp; servicing of finance</b>	<u>£(430)</u>	<u>£(300)</u>
<b>Capital expenditure &amp; financial investment</b>		
Purchase of fixed assets	(4,545)	(2,320)
Assets acquired	(1)	-
<b>Net cash outflow for capital expenditure &amp; financial investment</b>	<u>£(4,546)</u>	<u>£(2,320)</u>
<b>Acquisitions</b>		
Net assets acquired	(85)	-
Cash acquired	85	-
<b>Net cash inflow for acquisitions</b>	<u>-</u>	<u>-</u>
<b>Financing</b>		
Additional secured loan	6,500	1,200
Repayment of secured loans	(3,452)	(802)
Redemption of debentures	(19)	(8)
<b>Net cash inflow for financing</b>	<u>£3,029</u>	<u>£390</u>

## 19. (c) Analysis of Net Debt

	At 1 July 2005 £000	Cashflow £000	Net Increase in Accrued Premium £000	At 30 June 2006 £000
Cash at bank & in hand	2,870	87	-	2,957
Bank loan	(4,983)	(3,048)	-	(8,031)
Debenture	(888)	19	(35)	(904)
	<u>£(3,001)</u>	<u>£(2,942)</u>	<u>£(35)</u>	<u>£(5,978)</u>

## 20. Acquisition

On 1 July 2005, the Group acquired the entire trade and assets of the Flooring One partnership in which it had previously had an interest. The Group took on tangible fixed assets of £1,000, debtors of £87,000, creditors of £172,000 and cash of £85,000. The directors consider that the book value equates to the fair value of the assets and liabilities acquired.

The acquisition of this trade has had no impact on the Group's operating profit for the year because of the preferential profit sharing arrangements which previously existed. In the year prior to acquisition, the non-consolidated profit amounted to £nil.

## 21. Capital commitment

At 30 June 2006 the Group had contracted capital expenditure for Cranmore House, not provided, of £1,859,000 (2005: £nil).