Company Number 912655

Associated Independent Stores Limited

Report and Accounts 30 June 2003

Contents

Directors

Executive:	Ordinary:
S A Cooper (Managing)	**J Bolingbroke (Chairman)**
R V Blaney	**D C Banbury**
J S Mallett	**P C Butt**
A H Smith	**G C J Collingwood**
J L Todd	**P J Glasswell**
	A Hopkins
	S J McCammon
	A Sainsbury
	P J Samuel

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
21 New Fetter Lane, London, EC4A 1AW

Bankers

The Royal Bank of Scotland
5th Floor, 2 St Philips Place, Birmingham, B3 2RB

Subsidiary Companies

AIS Property Limited	Property investment company
Cenpac (AIS) Limited	Paying agent for member stores
INTERSPORT UK Limited	Retail buying group for sporting goods retailers
Ultimate Flooring Limited	Investor in Flooring One partnership
Associated Independent Stores Trading Limited	Dormant company
Furniture Island Limited	ecommerce company (dormant)
Trade Islands Limited	ecommerce company (dormant)

All companies are incorporated in Great Britain

Notice is hereby given that the Thirty Sixth Annual General Meeting of Associated Independent Stores Limited will be held at The Celtic Manor Resort, Coldra Woods, Newport, Gwent, NP18 1HQ, on Sunday 25 April 2004 commencing at 5.30pm for the following purposes:

1. To receive the directors' report and audited accounts for the 18 month period ended 30 June 2003.

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

8 October 2003

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 financial period 2002/03 was of course an extended one being of an eighteen month duration as a result of moving the financial year end to the end of June. Whilst some extra work has been involved in shifting the budget process etc, it has achieved its objective of giving those concerned in the preparation of the accounts, an opportunity to do so without the time pressures previously imposed upon them.

The results for the period are in excess of prediction with a surplus of £539,000 before tax and member rebate. Sheila Cooper and her team at Sheward House have worked incredibly hard to achieve this result for which we should be very grateful.

During the period Cenpac income has come in slightly ahead of budget although growth has slowed during the latter part of the period. Trading overall continues to be difficult which highlights the importance of the changes made within the organisation by the acquisition of INTERSPORT and the changes we expect to see from the improved showroom during 2004. The Flooring One venture with CCA Global Partners continues to make progress.

IT development has continued and apart from making progress on Furnitureisland notably with the use of it by Furnitureland, we have seen progress in other areas such as eprocurement, wedding lists and electronic invoicing. Much time has also been spent keeping in touch with and encouraging members' software houses to develop their services in tandem with AIS and its members.

There are many working on our behalf to whom I would like to extend my thanks. In particular however I would like to thank those directors who retired from the Board as non-executives, earlier this year, namely Tony Creasey, Mike Long and Fiona Otterburn.

I have greatly enjoyed my time as Chairman and the support given by the Board. I am sure that Michael Bullough will enjoy his time as much when, subject to member approval, he succeeds me at the 2004 AGM.

John Bolingbroke

8 October 2003

The directors have pleasure in submitting their report and audited financial statements for the 18 month period ended 30 June 2003.

Directors' Responsibilities in the Preparation of Financial Statements

Company Law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently.

b. make judgements 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 will continue in business.

The directors are responsible for keeping proper accounting records which disclose at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Activities

The principal activities of the Group during the period were that of joint buying association and paying agent for member stores in respect of certain agreed supplier accounts.

Review of the Business

Membership

Nineteen new members with a combined turnover of £30m joined the Group during the 18 months to June 2003. Twelve members with a total turnover of £32m left the Association during this period. In addition, three flooring specialists resigned from AIS to join Flooring One. In line with expectations, growth in membership continues to emanate from the recruitment of quality members in the home and sporting goods sectors. It is anticipated that this trend will continue.

Property

In April 2002, the Company purchased adjacent premises for £1.56m. During the first half of 2003 work commenced on a major building development which will integrate the new building into Sheward House to facilitate the expansion of the showroom facility to an area exceeding 26,000 sq ft. The expanded showroom area will enable the Company to further develop its operations and to better accommodate member requirements. It is anticipated that the redevelopment will be completed during next Summer.

Under the terms of the debenture trust deed with members, Sheward House was revalued, on an open market basis with vacant possession, in June 2002. The revaluation produced an increase of £0.45m. The debenture stock, therefore, continues to be a good investment for members.

Cenpac

Cenpac continues to operate effectively and remains the hub of the organisation. The total value of invoices processed by Cenpac (net of VAT and excluding Flooring One) was £552m. This represents a growth in annualised turnover for the 18 month period of 7.5%, which the directors consider to be satisfactory in a difficult trading environment.

A year end rebate of £300,000 will be distributed to members in proportion to their Cenpac turnover.

Review of the Business (continued)

Change in year end

The Group has changed its year end date from 31 December to 30 June to facilitate the production and audit of the year end accounts prior to the annual conference. With an increasing number of subsidiaries, the timescale for accounts production had become extremely tight. These accounts therefore reflect an 18 month trading period, January 2002 to June 2003, with comparison information for a 12 month period, January to December 2001.

Merchandise

Despite a more restrictive operating environment, occasioned by the commencement of the building project, the merchandise exhibitions continue to be well supported. During the period, throughput in the three main merchandise categories, fashion, homewares and furniture, increased despite a difficult market place. Furniture remains the largest sector, representing 51% of Cenpac turnover. The annualised growth in furniture turnover over the 18 month period was 2%. In the fashion area of the business the trend continues towards less forward buying and a greater focus on external brands.

Retail Division

Retail division remains an integral part of the Group's activities having grown strongly over the period with a significant increase in the number of members using the service. In particular the new service for linens and housewares has been very well received by members.

ecommerce

During the period the Company continued to develop the benefits of electronic trading for members. An increasing number of members and suppliers are now actively involved in the Company's electronic trading initiatives and, in January 2003, Furnitureland became the first non-AIS retailer to start to use the Company's ecommerce trading platform.

A centrally hosted on-line wedding list service was launched in March 2003 to enable members to compete in this fast growing market.

The procurement project continues to generate cost savings for members on telecoms and utilities. During the period, the services were extended to stationery and to carrier bags.

INTERSPORT

Significant progress has been made by subsidiary company INTERSPORT UK, since its acquisition from the Receiver in June 2001. During the 18 months to June 2003, the number of INTERSPORT members increased to 55, representing 163 stores with an annual turnover of £110m.

Turnover in the 18 month period through Cenpac was £39m. During this period INTERSPORT made a contribution to AIS Limited of £380,000. There remains considerable potential to develop this business further.

Flooring One

In April 2002 the Company's floorcoverings business was transferred to Flooring One, a venture with CCA Global Partners of the USA, parent company of Carpet One and the world's largest floorcoverings retail group. Flooring One has made progress developing the product range, installing bespoke units in stores and designing the marketing and training programmes. By the end of the calendar year the bulk of the new product range and fixtures will be in store and a recruitment campaign for new members will commence.

Personnel

The Company is committed to the Investor in People standard for which it was successfully re-recognised earlier in the year. Despite a more difficult operating environment occasioned by the building redevelopment, the team at AIS has continued to strive to improve performance and to offer the best possible service to members. We offer our sincere thanks to them for their support and enthusiasm.

Review of the Business (continued)

Outlook

The expanded showroom facility will offer the Group an exciting opportunity to further develop the business. In addition there is much growth potential in new ventures INTERSPORT and Flooring One. The core focus of the organisation will remain the enhancement of member profitability through the continued development of successful sourcing policies and supplier relationships in a changing trading environment.

Directors

The directors during the course of the period were:

D C Banbury	(appointed 27 April 2003)	A Hopkins	(appointed 21 April 2002)
C W Barker	(retired 21 April 2002)	M J Long	(retired 27 April 2003)
R V Blaney	(appointed 4 December 2002)	J S Mallett	
J Bolingbroke		S J McCammon	
P C Butt	(appointed 27 April 2003)	E F Otterburn	(retired 27 April 2003)
G C J Collingwood	(appointed 21 April 2002)	A Sainsbury	
S A Cooper		P J Samuel	(appointed 21 April 2002)
A J Creasey	(retired 27 April 2003)	A H Smith	(appointed 11 March 2002)
R F E Eilers	(retired 21 April 2002)	B G Sturrock	(retired 21 April 2002)
P J Glasswell	(appointed 27 April 2003)	J L Todd	(appointed 23 April 2003)
J Holden	(retired 21 April 2002)		

At the next Annual General Meeting Messrs Bolingbroke, McCammon and Sainsbury 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 2003	1 January 2002
		£	£
D C Banbury	Banburys Limited	7,230	7,230
J Bolingbroke	Bolingbroke & Wenley Furnishings Limited	3,040	3,040
P C Butt	David Morgan Limited	13,140	13,140
G C J Collingwood	Collingwood Batchellor Limited	2,960	2,960
P J Glasswell	Glasswells Limited	4,020	4,020
S J McCammon	Joseph Alexander Limited	3,930	3,930
A Sainsbury	N Sainsbury & Sons	360	360
P J Samuel	Joplings Limited	15,610	15,610

Results

The results for the period are set out on page 9.

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

8 October 2003

We have audited the financial statements on pages 9 to 24.

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 are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 of the Company's and Group's state of affairs as at 30 June 2003 and of the profit of the Group for the 18 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
2 Cornwall Street
Birmingham
B3 2DL

8 October 2003

for the 18 month period ended 30 June 2003

	Notes	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000
Turnover from continuing operations		548,962	335,008
Turnover from discontinued operations		9,285	35,208
Total turnover	1&5	558,247	370,216
Cost of sales		(546,073)	(362,589)
Gross profit		12,174	7,627
Distribution costs		(159)	(147)
Administration expenses		(11,626)	(6,996)
		(11,785)	(7,143)
Member rebate		(300)	(300)
Other operating income		486	-
Operating profit from continuing operations		455	(59)
Operating profit from discontinued operations		120	243
Group operating profit	2	575	184
Interest receivable & similar income		29	38
Interest payable & similar charges	2	(365)	(188)
		(336)	(150)
Profit on ordinary activities before taxation	2	239	34
Taxation	4	(14)	-
Profit for the financial period	14	225	34
Transfer from reserves	14	18	40
Balance brought forward		275	201
Retained profit at 30 June 2003	14	£518	£275

Note on Historical Cost Profits

	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000
Reported profit on ordinary activities before taxation	239	34
Difference between historical cost depreciation charge and actual charge for the period calculated on revalued amounts	36	19
Historical cost profit on ordinary activities before taxation	£275	£53
Historical cost profit retained	£261	£53

Statement of Total Recognised Gains & Losses
for the 18 month period ended 30 June 2003

	Notes	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000
Profit for the financial period		225	34
Unrealised loss on revaluation of property		(134)	-
Total recognised gains relating to the period	14	£91	£34

The notes on pages 12 to 24 form part of these financial statements.

as at 30 June 2003

	Notes	The Group 30 Jun 2003 £000	The Group 31 Dec 2001 £000	The Company 30 Jun 2003 £000	The Company 31 Dec 2001 £000
Fixed assets					
Tangible assets	1 & 6	8,695	6,606	4,367	2,111
Investment in subsidiaries	6	-	-	101	101
		8,695	6,606	4,468	2,212
Current assets					
Stock	1 & 7	436	722	98	722
Debtors	8	36,505	37,611	3,155	2,670
Cash at bank & in hand		981	3,058	-	-
		37,922	41,391	3,253	3,392
Creditors: amounts falling due within one year	9	(39,873)	(42,444)	(5,343)	(4,438)
Net current liabilities		(1,951)	(1,053)	(2,090)	(1,046)
Total assets less current liabilities		6,744	5,553	2,378	1,166
Creditors: amounts falling due after more than one year	10	(2,993)	(1,893)	(1,605)	(540)
		£3,751	£3,660	£773	£626
Reserves					
Revaluation reserve	14	2,333	2,485	16	-
Other reserves	14	900	900	20	20
Profit & loss account	14	518	275	737	606
		£3,751	£3,660	£773	£626

J Bolingbroke

Directors

S A Cooper

8 October 2003

The notes on pages 12 to 24 form part of these financial statements

for the 18 month period ended 30 June 2003

	Notes	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000
Cash inflow from operating activities	19 (a)	171	489
Returns on investments and servicing of finance	19 (b)	(297)	(131)
Taxation	4	(14)	-
Capital expenditure and financial investment	19 (b)	(3,143)	(742)
Cash outflow before use of liquid resources and financing		(3,283)	(384)
Financing	19 (b)	1,206	(130)
Decrease in cash in the period		£(2,077)	£(514)

Reconciliation of net cash flow to movement in net debt	19 (c)		
Decrease in cash in the period		(2,077)	(514)
Cash (inflow)/outflow from (increase)/decrease in debt		(1,206)	130
Net increase in debenture premium accrued		(39)	(19)
Movement in net funds in the period		(3,322)	(403)
Net funds at 1 January 2002		1,064	1,467
Net funds at 30 June 2003		£(2,258)	£1,064

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 accounting standards.

Basis of consolidation
The consolidated financial statements incorporate those of Associated Independent Stores Limited and all of its subsidiary undertakings for the period.

Turnover
Group turnover comprises the following:

AIS Limited	- Subscription income from member stores.
AIS Retail Division	- Management charges for all outlets.
AIS Trading Division	- Merchandise purchased on a direct basis and subsequently invoiced to member stores.
Cenpac (AIS) Limited	- *Gross value of transactions processed by the company on behalf of members,* excluding VAT.
INTERSPORT UK Limited	- Gross value of transactions processed by the company on behalf of INTERSPORT UK members, excluding VAT.

Tangible fixed assets
Fixed assets include property professionally valued by independent chartered surveyors on an existing use, open market value basis. 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% per annum
Motor vehicles	- 25% per annum
Computer software	- 25% per annum

Investments
The Group accounts for entities in which it holds an ownership interest but does not exercise significant influence during the current accounting period as an investment. Income is recognised in accordance with the legal distribution rights of the Group's ownership interest and disclosed within other operating income.

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.

This is the first time that the Group has adopted FRS19. There is no prior year restatement of deferred tax arising from the adoption of FRS19.

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 the value of the property, on an open market value 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 or 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
Pension costs for the Group's defined benefit scheme are charged to the profit and loss account to spread the cost of pensions on a systematic basis over the service lives of the employees. Variations from the regular cost are spread over the average remaining service lives of the employees.

Leases
All leases are operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

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

	Continuing operations 18 months to 30 Jun 2003 £000	Discontinued operations 18 months to 30 Jun 2003 £000	Total 18 months to 30 Jun 2003 £000	Continuing operations 12 months to 31 Dec 2001 £000	Discontinued operations 12 months to 31 Dec 2001 £000	Total 12 months to 31 Dec 2001 £000
Group turnover	548,962	9,285	558,247	335,008	35,208	370,216
Cost of sales	(536,965)	(9,108)	(546,073)	(328,018)	(34,571)	(362,589)
Gross profit	11,997	177	12,174	6,990	637	7,627
Distribution costs	(159)	-	(159)	(147)	-	(147)
Administration expenses	(11,569)	(57)	(11,626)	(6,630)	(366)	(6,996)
Member rebate	(300)	-	(300)	(272)	(28)	(300)
Other operating income	486	-	486	-	-	-
Group operating profit	£455	£120	£575	£(59)	£243	£184

In April 2002 the Company's floorcoverings business was transferred to Flooring One, a business in which the Group holds a partnership interest, together with CCA Global Partners. The results have been shown as discontinued operations.

The Group profit is stated after charging / (crediting):

		18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000
Depreciation		920	537
Profit on disposal of fixed assets		-	(9)
Auditors' remuneration:	Audit (of which £14,000 related to parent undertaking)	28	20
	Other services	23	51
Profit on exchange		(3)	-
Operating lease rentals:	Plant & machinery	42	28
	Motor vehicles	303	206

2. Group Profit on Ordinary Activities (continued)

	18 months to 30 Jun 2003	12 months to 31 Dec 2001
Interest payable and similar charges on:	£000	£000
Bank loans & overdrafts	279	125
Debenture loans	37	25
Debenture premium	49	38
	£365	£188

3. Employees

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

	18 months to 30 Jun 2003			12 months to 31 Dec 2001		
	Full-time	Part-time	Total	Full-time	Part-time	Total
AIS (excluding retail division)	103	19	122	108	19	127
Retail division	20	3	23	15	1	16
Cenpac	22	5	27	18	6	24
INTERSPORT	11	-	11	3	-	3
	156	27	183	144	26	170

	18 months to 30 Jun 2003	12 months to 31 Dec 2001
Staff costs (excluding directors) during the period amounted to:	£000	£000
Wages & salaries	5,461	3,207
Social security costs	463	292
Other pension costs	558	301
	£6,482	£3,800
Directors' remuneration consisted of:	£000	£000
Fees	529	261
Other emoluments (including pension contributions and benefits in kind)	81	56
	£610	£317

Retirement benefits are accruing for one director under a defined benefit pension scheme. During the period two additional executive directors were appointed. Previously part of these emoluments were included under salaries.

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

	18 months to 30 Jun 2003	12 months to 31 Dec 2001
	£000	£000
Aggregate emoluments (including pension contributions and benefits in kind)	274	170
Defined benefit pension scheme:		
Accrued annual pension at the end of the period	75	60

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 defined benefit scheme.

The funds of the 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 period amounted to £602,668 (2001: £333,194).

The most recent valuation of the scheme was undertaken at 31 March 2002. The assets were valued at market value at close of business on 31 March 2002 at £5,832,000. The assumptions used in valuing the liabilities of the scheme are the investment returns (5.5% - 7.5%) relative to salary increases (4.0%), relative to pension increases, where provided (3.0%).

On this basis the actuarial value of the assets of the scheme represents 76% 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 £1,832,000 at 31 March 2002, is being spread over the future working lifetime as an additional percentage of pensionable earnings.

Whilst the Company continues to account for pension costs in accordance with SSAP24: Accounting for *pension costs, FRS17: Retirement Benefits requires the following additional disclosures:*

The valuation as at 31 March 2002 has been updated by the actuary on an FRS 17 basis as at 30 June 2003. The major assumptions used in this valuation were the rate of increase in salaries (3.0%), the rate of increase in pensions in payment (fixed or 2.5%), the discount rate (5.5%) and the inflation assumption (2.5%). 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:

	Long term rate of return 30 Jun 2003	Value at 30 Jun 2003 £000	Long term rate of return 31 Dec 2001	Value at 31 Dec 2001 £000
Equities	7%	3,124	7%	4,340
Bonds	5%	1,320	5%	-
Cash	3%	37	3%	130
		4,481		4,470
Present value of scheme liabilities		8,344		6,320
Deficit in the scheme - pension liability		(3,863)		(1,850)
Related deferred tax liability		-		-
Net pension liability		£(3,863)		£(1,850)

The amount of this net pension liability would have a consequential effect on reserves.

Movement in deficit during the period:

	2003 £000
Deficit in scheme at beginning of period	(1,850)
Current service costs	(402)
Contributions paid	500
Past service costs	(34)
Other finance costs	(61)
Actuarial loss	(2,016)
Deficit in scheme at end of period	£(3,863)

3. Employees (continued)

If FRS 17 had been fully adopted in these financial statements the pension costs for the defined benefit scheme would have been:

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

	2003
	£000
Current service costs	(402)
Past service costs	(34)
	£(436)

b. Analysis of amounts included in other finance costs

	2003
	£000
Expected return on pension scheme assets	492
Interest on pension scheme liabilities	(553)
	£(61)

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

	2003	2003
	%	£000
Actual return less expected return on scheme assets		(1,008)
Percentage of period end scheme assets	22	
Experience gains and losses arising on scheme liabilities		(436)
Percentage of present value of period end scheme liabilities	5	
Changes in assumptions underlying the present value of scheme liabilities		(572)
Percentage of present value of period end scheme liabilities	7	
Actuarial loss recognised in statement of total recognised gains and losses		£(2,016)
Percentage of present value of period end scheme liabilities	24%	

4. Taxation

The current Group tax charge for the period is £14,000 which relates to adjustments in respect of prior periods (2001: £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.

4. Taxation (continued)

The actual tax charge for the current period is below (previous year is below) the standard rate of corporation tax of 30% for the reasons set out in the following reconciliation:

	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000
Profit on ordinary activities before taxation	239	34
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30%	72	10
Factors affecting charge for the period:		
Income from mutual trading	(124)	(13)
Capital allowances in excess of depreciation	89	18
Disallowable expenses	11	10
Depreciation in excess of capital allowances	(94)	-
Utilisation of brought forward losses	-	(25)
Losses carried forward	46	-
Adjustments in respect of prior periods	14	-
Total current Group tax charge for the period	£14	-

5. Turnover and Profit on Ordinary Activities

The Group's turnover and profit on ordinary activities were all derived from its principal activities.

Sales were made in the following geographical markets:

	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000
United Kingdom	528,583	356,442
Republic of Ireland	29,023	13,263
Cyprus	641	511
	£558,247	£370,216

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 January 2002	5,873	-	2,540	32	2,678	11,123
Additions	1,661	495	240	19	728	3,143
Revaluation	(134)	-	-	-	-	(134)
At 30 June 2003	7,400	495	2,780	51	3,406	14,132
Depreciation						
1 January 2002	113	-	2,277	13	2,114	4,517
Charge for period	108	-	241	14	557	920
At 30 June 2003	221	-	2,518	27	2,671	5,437
Net book value						
At 30 June 2003	7,179	495	262	24	735	£8,695
At 31 December 2001	5,760	-	263	19	564	£6,606

6. Fixed Assets (continued)

Freehold land and buildings are carried at valuation. The freehold property held by AIS Property Limited was valued by external valuers, Bigwood Chartered Surveyors, as at 30 June 2002 in the sum of £4.4m, on an open market value basis with vacant possession, in accordance with the then Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (30 June 2000: £3.95m). At the same time freehold land and buildings of AIS Limited were revalued at approximately the value stated in the Company accounts. In the opinion of the directors the valuation at 30 June 2003 would not be significantly different, except for the impact of the present building works. If the freehold land and buildings of AIS Property Limited had not been revalued they would have been carried in the balance sheet, at 30 June 2003, at a cost of £1.94m (2001: £1.98m).

The Company

	Freehold Land & *Buildings*	Assets in the course of *Construction*	Fixtures & *Equipment*	Motor Vehicles	Computer Software	Total
	£000	£000	£000	£000	£000	£000
Cost						
1 January 2002	1,323	-	2,056	33	2,309	5,721
Additions	1,661	495	225	19	684	3,084
Transfers	-	-	(19)	-	(31)	(50)
Revaluation	16	-	-	-	-	16
At 30 June 2003	3,000	495	2,262	52	2,962	8,771
Depreciation						
1 January 2002	25	-	1,807	14	1,764	3,610
Transfers	-	-	(12)	-	(21)	(33)
Charge for period	51	-	228	14	534	827
At 30 June 2003	76	-	2,023	28	2,277	4,404
Net book value						
At 30 June 2003	2,924	495	239	24	685	£4,367
At 31 December 2001	1,298	-	249	19	545	£2,111

Investment in subsidiary undertakings

	The Company 30 Jun 2003	31 Dec 2001
	£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

6. Fixed Assets (continued)

AIS Property Limited is a property investment company.

Present directors: Mr J M Harding (Chairman); Miss S A Cooper (Managing);
Messrs R F E Eilers and B J McCammon

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 D S Andrews; J Bolingbroke; J M Harding and T W Jenner; Mrs A H Smith

Turnover for the 18 months ended 30 June 2003 was £513m (2001: £367m)

Furniture Island Limited is an ecommerce company.

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 and was formed during the period.

Present directors: Miss S A Cooper (Chairman);
Messrs M J Fowler; I H Macpherson; R D Nuttall; J J Staunton and S M Wright;
Mrs A H Smith

Trade Islands Limited is an ecommerce company.

Present directors: Mr B G Sturrock (Chairman); Miss S A Cooper (Managing);
Mr M J Long

Ultimate Flooring Limited is an investor in the Flooring One partnership.

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	
	30 Jun 2003	31 Dec 2001	30 Jun 2003	31 Dec 2001
	£000	£000	£000	£000
Goods for re-sale	£436	£722	£98	£722

8. Debtors

	The Group		The Company	
	30 Jun 2003	31 Dec 2001	30 Jun 2003	31 Dec 2001
	£000	£000	£000	£000
Trade debtors	35,022	36,539	779	843
Amounts owed by group undertakings	-	-	1,641	748
Prepayments & accrued income	931	1,027	735	1,074
Other debtors	552	45	-	5
	£36,505	£37,611	£3,155	£2,670

Included within other debtors is an amount of £249,000 to which the Group is entitled under the Flooring One partnership agreement.

9. Creditors

	The Group		The Company	
Amounts falling due within one year	*30 Jun 2003*	*31 Dec 2001*	*30 Jun 2003*	*31 Dec 2001*
	£000	£000	£000	£000
Bank loans & overdrafts	240	90	3,102	1,967
5% debenture stock	6	11	-	-
Trade creditors	37,851	40,431	924	634
Amounts owed to group undertakings	-	-	100	100
Other creditors including taxation & social security costs	481	620	220	460
Accruals	1,295	1,292	997	1,277
	£39,873	£42,444	£5,343	£4,438

10. Creditors

	The Group		The Company	
Amounts falling due after one year	30 Jun 2003	31 Dec 2001	30 Jun 2003	31 Dec 2001
	£000	£000	£000	£000
Bank loans	2,135	1,070	1,605	540
5% debenture stock	858	823	-	-
	£2,993	£1,893	£1,605	£540
Bank loans				
between 1 & 2 years	240	90	240	90
between 2 & 5 years	720	270	720	270
after 5 years	1,175	710	645	180
	£2,135	£1,070	£1,605	£540
5% debenture stock				
between 1 & 2 years	23	2	-	-
after 5 years	835	821	-	-
	£858	£823	-	-

All the long term bank loans bear interest at 1.00% over base rate with the exception of a loan for £1.35m, which bears interest at 1.25% over base. The loans are secured by a first charge on the freehold land and buildings at Cranmore Avenue, Shirley, Solihull.

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 AIS Property Limited. A premium is payable on redemption which is accrued as described in the accounting policies on page 12 and included in the amount shown as debenture stock above.

11. Provisions for Liabilities and Charges

Deferred taxation provided for in the accounts is £nil (2001: £nil), and the unprovided liability is £nil (2001: £347,000).

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 at Cranmore Avenue, Shirley, Solihull and a charge over all the other assets of the Group companies with the exception of Cenpac (AIS) Limited.

13. Member Guarantees

The total amount of guarantees given by members to the Company is £753,500 (2001: £741,000).

14. Reserves

The Group	Balance at 1 January 2002	Additions / (reductions) in the 18 month period	Transfers	Balance at 30 June 2003
	£000	£000	£000	£000
Revaluation reserve	2,485	(134)	(18)	2,333
General reserve for bad debts	900	-	-	900
Profit & loss account	275	225	18	518
Total	£3,660	£91	-	£3,751

External valuers, Bigwood Chartered Surveyors, valued the land and buildings of the Group as at 30 June 2002 on an open market value basis with vacant possession at £7.4m and on an open market investment basis, subject to the tenant's interest and assuming implementation of the lease provisions, at £8.4m. Previously the directors have utilised the investment basis in the accounts but on this occasion have adopted the vacant possession basis as they believe it prudent to do so.

The Company	Balance at 1 January 2002	Additions in the 18 month period	Transfers	Balance at 30 June 2003
	£000	£000	£000	£000
Revaluation reserve	-	16	-	16
General reserve for bad debts	20	-	-	20
Profit & loss account	606	131	-	737
Total	£626	£147	-	£773

15. Commitments under Operating Leases

At 30 June 2003 there were annual commitments of the Group and Company under operating leases as set out below:

	The Group		The Company	
	30 Jun 2003	31 Dec 2001	30 Jun 2003	31 Dec 2001
	£000	£000	£000	£000
Plant and machinery:				
Expiring between 1 & 5 years	28	-	28	-
Expiring over 5 years	-	28	-	28
Motor vehicles:				
Expiring within 1 year	18	32	6	32
Expiring between 1 & 5 years	147	104	113	100
Land and buildings:				
Expiring within 1 year	-	-	248	-
Expiring over 5 years	-	-	-	248
	£193	£164	£395	£408

The annual commitment in respect of land and buildings relates to a lease with AIS Property Limited.

16. Contingent Liabilities

	The Group		The Company	
	30 Jun 2003	31 Dec 2001	30 Jun 2003	31 Dec 2001
	£000	£000	£000	£000
Guarantee of bank loans & overdrafts of group companies	-	-	1,078	1,212
Guarantee of members' balances due to Toymaster Limited	2,664	2,708	2,664	2,708
Potential liability under group VAT registration	-	-	211	152
Amounts due under forward currency contracts	651	1,646	651	1,646
	£3,315	£4,354	£4,604	£5,718

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

17. Reconciliation of Movement in Reserves

	The Group		The Company	
	30 Jun 2003	31 Dec 2001	30 Jun 2003	31 Dec 2001
	£000	£000	£000	£000
Profit/(loss) for the financial period	225	34	131	(15)
Unrealised (loss)/profit on revaluation of property	(134)	-	16	-
Net addition/(reduction) to reserves	91	34	147	(15)
Opening reserves	3,660	3,626	626	641
Closing reserves	£3,751	£3,660	£773	£626

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 period is shown above.

18. Related Party Transactions

During the period 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 £85,694,507 (2001: £36,908,312) and the aggregate value of the outstanding balances at the period end was £5,733,887 (2001: £3,336,156).

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

The Company provides administration services on an arms length basis to Flooring One, a UK based partnership, in which it has an interest.

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

	18 months to 30 Jun 2003 £000	*12 months to* 31 Dec 2001 £000
Operating profit	575	184
Depreciation	920	537
Profit on sale of fixed assets	-	(9)
Decrease in stocks	286	129
Decrease/(increase) in debtors	1,106	(2,308)
(Decrease)/increase in creditors	(2,716)	1,956
Net cash inflow from operating activities	£171	£489

19. (b) Analysis of Cashflows

	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000
Returns on investment & servicing of finance		
Interest received	29	38
Interest paid	(316)	(150)
Debenture premium paid	(10)	(19)
Net cash outflow for returns on investment & servicing of finance	£(297)	£(131)
Capital expenditure & financial investment		
Purchase of fixed assets	(3,143)	(762)
Sale of fixed assets	-	20
Net cash outflow for capital expenditure & financial investment	£(3,143)	£(742)
Financing		
Additional secured loan	1,500	-
Repayment of secured loans	(285)	(112)
Redemption of debentures	(9)	(18)
Net cash inflow/(outflow) for financing	£1,206	£(130)

19. (c) Analysis of Net Funds

	At 1 January 2002 £000	*Cashflow* £000	*Net Increase in* Accrued Premium £000	*At 30 June* 2003 £000
Cash in hand at bank	3,058	(2,077)	-	981
Bank loan	(1,160)	(1,215)	-	(2,375)
Debenture	(834)	9	(39)	(864)
	£1,064	£(3,283)	£(39)	£(2,258)

20. Capital commitment

At 30 June 2003 the Group had contracted capital expenditure, not provided, of £1,704,930 (2001: £1,404,000).

for the 18 month period ended 30 June 2003

Confidential to members
not part of the audited accounts

	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000
Income		
Members' subscriptions & entrance fees	4,120	2,681
Income from subsidiaries & divisions (before management charges)	4,287	2,704
Miscellaneous income	1,226	468
Total income	**9,633**	**5,853**
Expenditure		
Employment costs (including redundancies)	4,575	2,740
Recruitment	79	55
Pensions & medical Insurance	519	302
Rent	373	252
Rates	417	207
Security (including salaries)	56	32
Energy	62	39
Insurance	27	15
Cleaning (including salaries)	52	31
Property maintenance	64	41
Travel & accommodation	206	134
Motor expenses (including depreciation & leasing)	298	211
Printing & stationery	136	103
Telephone & facsimile	23	23
Postage & carriage	120	85
Professional charges	105	86
Computer services	247	141
Ecommerce	173	80
Annual general meeting	83	59
Staff training	25	21
Catering (including salaries & cost of temporary facility)	254	155
Sundries	65	39
Display & promotions	101	78
Member recruitment & meetings	29	22
Merchandise miscellaneous (including design fees, market research & use of models)	66	42
Depreciation	769	370
Leasing charges - equipment	42	28
Bank interest & charges	229	128
Flooring One (establishment costs recharged)	(101)	-
Total expenditure	**9,094**	**5,519**
Profit for the period	**539**	**334**
Member rebate	**(300)**	**(300)**
Taxation (prior year charge)	**(14)**	**-**
Retained profit for the period	**£225**	**£34**

For analysis of income from subsidiaries & divisions see pages 26 to 28.

Profit & Loss Accounts

Confidential to members
not part of the audited accounts

	Cenpac (AIS) Limited		AIS Property Limited	
	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000
Income:				
Gross profit on trading	4,074	2,812	373	248
Miscellaneous income	141	42	-	-
Net income	4,215	2,854	373	248
Expenses	1,011	597	265	139
Management charge	3,182	2,237	162	80
Total expenses	4,193	2,834	427	219
Net surplus/(deficit) for period before taxation and dividend	£22	£20	£(54)	£29

Balance Sheets

	Cenpac (AIS) Limited		AIS Property Limited	
	30 Jun 2003 £000	31 Dec 2001 £000	30 Jun 2003 £000	31 Dec 2001 £000
Fixed assets	19	33	4,256	4,461
Net current assets / (liabilities)				
Debtors & prepayments (inc. inter-company)	34,103	35,745	6	-
Cash balances	3,924	5,616	(548)	(681)
Creditors & accruals (inc. inter-company)	(36,989)	(39,964)	(41)	(74)
Due to holding company	(325)	(692)	(204)	(56)
	713	705	(787)	(811)
	732	738	3,469	3,650
Creditors: amounts falling due after one year	-	-	(1,388)	(1,353)
	£732	£738	£2,081	£2,297
Financed by:				
Share capital	1	1	-	-
Retained deficit	(124)	(143)	(236)	(188)
General reserve for bad debts	855	880	-	-
Revaluation reserve	-	-	2,317	2,485
	£732	£738	£2,081	£2,297

The information on pages 26 to 27 has been extracted from the audited accounts of the subsidiary companies on which unqualified audit reports have been issued. The accounts for 31 December 2001 have been filed with the Registrar of Companies. Those for 30 June 2003 will be filed in due course.

The gross profit of Cenpac (AIS) Limited represents discounts received £28.8m (2001: £20.3m) less discounts allowed £24.2m (2001: £17.5m). The figure of £24.2m for discounts allowed this year includes £300,000 (2001: £300,000) which is to be rebated to members.

Profit & Loss Accounts

Confidential to members
not part of the audited accounts

	INTERSPORT UK Limited	Ultimate Flooring Limited
	8 months to 30 Jun 2003	15 months to 30 Jun 2003
	£000	£000
Income:		
Gross profit on trading	471	565
Miscellaneous income	188	118
Net income	659	683
Expenses	583	446
Management charge	272	150
Total expenses	855	596
Net (deficit)/surplus for period before taxation and dividend	£(196)	£87

Balance Sheets

	INTERSPORT UK Limited	Ultimate Flooring Limited
	30 Jun 2003	30 Jun 2003
	£000	£000
Fixed assets	53	-
Net current (liabilities)/assets		
Stock	337	-
Debtors & prepayments (inc. inter-company)	199	271
Cash balances	168	300
Creditors & accruals (inc. inter-company)	(303)	(166)
Due to holding company	(625)	(318)
	(224)	87
	£(171)	£87
Financed by:		
Share capital	-	-
Retained (deficit)/surplus	(196)	87
General provision for bad debts	25	-
	£(171)	£87

INTERSPORT UK Limited and Ultimate Flooring Limited started trading during the current financial period.

Divisional Profit & Loss Accounts

Confidential to members
not part of the audited accounts

	Trading Division of AIS Limited		Retail Division of AIS Limited	
	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000
Income:				
Gross profit on trading	277	261	966	588
Miscellaneous income	100	80	-	-
Net income	377	341	966	588
Expenses (including interest)	277	231	975	601
Net surplus/(deficit) for period before taxation	£100	£110	£(9)	£(13)

	Shoe Division of AIS Limited		INTERSPORT UK Division of AIS Limited	
	18 months to 30 Jun 2003 £000	12 months to 31 Dec 2001 £000	10 months to 31 Oct 2002 £000	12 months to 31 Dec 2001 £000
Income:				
Gross profit on trading	-	263	862	428
Expenses (including interest)	-	263	591	487
Net surplus/(deficit) for period before taxation	-	-	£271	£(59)

No balance sheet is included for Trading Division and Retail Division as they are part of Associated Independent Stores Limited and the figures are included within the parent company balance sheet. Shoe Division ceased trading in July 2001 and the business of INTERSPORT UK Division was transferred to a separate Group company, INTERSPORT UK Limited on 1 November 2002.