

...instore

Instore plc

Interim Report 2007

 **ound
stretcher**
home & garden

...about us

Instore plc operates a countrywide network of over 300 out-of-town and high street retail outlets operating under both the Poundstretcher and ...instore brands.

We offer fantastic variety at exceptional prices on an extensive range of products for the home, garden and for all the family . . .



Continuing Progress in a Tough Environment



- Total sales increased by 4.5%, equivalent to a 4.3% like-for-like increase.
- Margins have improved, reflecting lower markdowns, improvements in shrinkage and better control of stock levels and operating costs.
- The first half loss after exceptional items was reduced from £11.6 million to £5.3 million, a significant improvement on the same period of last year.
- Cash balances were £10.2 million, against £11.3 million at the previous half year.
- Stock levels rose from the year end level by 25.8% to £33.3 million, reflecting the new focus on achieving consistently higher levels of availability, and targeted stock investment in our traffic generating everyday consumables offer.
- Total sales were up 2.7% in the first seven weeks of the second half, equivalent to a 2.8% like-for-like increase.
- We are continuing to improve the margin on our core product but the introduction of the lower margin food and toiletries will have the effect of keeping the margin flat in the second half.

Commenting on the results, Peter Burdon, Chief Executive of Instore plc, said:

"After a very good start to the year, recent trading has been more difficult against a tough trading background, and was not helped by the exceptionally poor summer weather. However, we are also making some significant changes in the business and we have seen signs that our gradual renewal of the product and pricing offer is being reflected positively in our trading performance.

The full effect of these changes will not be seen until the first half of the 2008/9 financial year and, as always, the final outcome for the current year will depend on the key Christmas trading period. Nevertheless, I am confident that the benefits will show through progressively over the next twelve months."



Chairman's Statement and Chief Executive's Review

CHAIRMAN'S STATEMENT

During the first half there have been significant changes in both the ownership and management of the Company, leading to a period of rapid change.

In May, Seaham Investments Limited acquired 29.78% of the issued share capital of the Company from Tradegro Limited. At the same time we also announced the appointment of Peter Burdon as Chief Executive, as replacement for Trevor Coates.

Further changes to the Board have also seen Sir Geoff Mulcahy stand down and the appointment of Aziz Tayub. Finally Gary Brown, Group Finance Director, left the business at the beginning of October to join Umbro plc.

I thank my former colleagues for all their endeavours, and take this opportunity of welcoming both Peter and Aziz to the Board.

These recent changes have refocused the management of the business and will help ensure its longer term success by providing new and exciting commercial opportunities.

CHIEF EXECUTIVE'S REVIEW

Our first priority in the half year was to introduce changes to improve the performance and profitability of the business as rapidly as possible.

These changes have been focused on a number of initiatives which will leverage our established position as a leading retailer in the value sector, and at the same time rebuild our historically powerful reputation for low everyday prices, good value and fantastic deals.

More specifically: we have introduced a footfall-driving food and toiletries offer; we are rebalancing the range to strengthen the homewares and putting less reliance on seasonal products; we have been renegotiating cost prices to enable lower retail prices which customers can recognise as highly attractive; and we are shifting marketing spend back towards leaflets and local in-store promotions to directly increase awareness of the price offer.

To support these efforts, we have also made changes to reduce our costs at every level of the business, to raise operating standards in the stores,

and to improve the supply chain and the availability of stock.

On costs, we have completed a rationalisation of the central and field management structures. Headcount has been reduced by 50, giving an annualised saving of over £2 million in payroll and a further £1 million in other costs. Consequently, there is an exceptional charge in the results of £1.7 million relating to these restructuring costs.

In the stores, we have recognised the need for further improvement in operating standards and we are working with our colleagues in the stores and the centre to restore these to the required standards. We have trialled a different layout in 11 stores which has delivered early success at minimal cost. If the performance of these stores continues, we intend rolling out this style of merchandising across the network in the coming year.

Finally, we have implemented a number of process and management changes to improve the supply chain, and improve the availability of stock in the stores. We are now undertaking a full cost review, although this is unlikely to create significant cost improvements until next year.

Whilst we recognise we still have much to do in each area, we are making progress, albeit slowly. We are improving consistency and delivery across the whole chain. We are improving our competitive position, and we are determined to deliver a lean cost structure and a low-cost, flexible supply chain.

These necessary changes will, however, take time to deliver their full impact. The right cost prices, and the supply arrangements to make them sustainable, will only be achieved once our ranges have been completely renewed. We also need to address longer term structural issues, including investment in the most dilapidated stores.

Consequently, we will implement only a modest capital programme for the remainder of the financial year, including additions to the warehouse management system. There will be a limited number of store openings and closures, as the emphasis is placed on improving the trading of the current stores, and we do not anticipate the net capital costs to be significant. However, there are clearly many opportunities to increase the store network.

As part of the restructuring of the business, we have strengthened the teams in Buying & Merchandising, Retail and Distribution. Also, on 6 September, we announced that Gary Brown, Finance Director, would be leaving the business to take up the role of Chief Financial Officer with Umbro plc.

This development has given the Board the opportunity to review and consider the role and structure of the Finance function. As a result of this review, Ebrahim Suleman, a Chartered Accountant of 25 years standing and with considerable experience of business, has been appointed as Director of Finance of the Group's trading subsidiary, Poundstretcher Limited. I welcome Ebrahim to the management team.

Following our initial business review, we moved our banking facilities away from our previous consortium of banks, and have now secured new facilities with Lloyds TSB with arrangements that will assist our growth strategy.

Trading Performance and Financial Results

Total sales in the 26 weeks to 25 August 2007 were £133.8 million, an increase of 4.5% against the £128.0 million achieved in the same period last year. Within this total, like-for-like sales showed an increase of 4.3%.

Cost of sales before exceptional items increased marginally to £120.7 million (2006: £120.1 million) as a direct result of better achieved margins due to a reduction in markdown spend, improvements to shrinkage results, a more current stock profile and tighter control of retail costs. As a result, gross profit before exceptional items has increased to £13.0 million (2006: £7.9 million) increasing gross profit margin to 9.7% (2006: 6.2%).

However, these improvements were not consistent across the half. Sales and margin in the first quarter were strongly ahead of last year as a result of the good weather, but the second quarter sales and margin were weaker as a result of the well-reported inclement conditions, which curtailed sales of higher margin seasonal stocks and led to a material level of markdowns.

After net operating expenses before exceptional items of £16.7 million (2006: £17.6 million), the decrease primarily as a result of the accounting for share option cancellations, the business reported a

net operating loss before exceptional items for the period of £3.6 million, a £6.1 million improvement on last year's loss of £9.7 million.

After the exceptional costs of £1.7 million, relating solely to the extensive rationalisation of the central and field management structures, and after net interest received of £0.1 million (2006: interest cost of £0.05 million), the total loss before taxation for the period was £5.2 million, compared with last year's £11.6 million. Last year's loss reflected £1.8 million of costs associated with the disposal of surplus leases.

The basic loss per share was 2.54p (2006: 4.96p).

Balance Sheet

Capital expenditure in the 26 week period to 25 August 2007 was £3.6 million (2006: £2.4 million), reflecting the decision to limit new store openings and concentrate on improving the trading of the current stores. This resulted in fixed assets at the period end decreasing from £36.8 million to £35.4 million. Stock amounted to £33.3 million, an increase of 25.8% on year-end levels reflecting the focus on achieving consistently high levels of availability, plus targeted stock investment in our everyday consumables offer.

At the half-year end, the Group had net cash balances of £10.2 million (2006: £11.3 million), after a net decrease in cash of £11.2 million (2006: £0.5 million).

Outlook

Total sales were up 2.7% in the seven weeks ending 13 October 2007, equivalent to a 2.8% like-for-like increase, partly reflecting the introduction of the new toiletries and food offer, the effect of which has been to flatten the improvement in gross margin. Nevertheless, as we gradually renew the product and pricing offer, we expect a positive impact on sales and margin. However, the full effect of this will not be seen until the first half of the 2008/09 financial year.

Plans for Christmas have been well laid and, although we remain cautiously confident, the full year outcome is dependent on this key trading period.

Peter Burdon

Chief Executive
19 October 2007

Independent Review Report to Instore plc

Introduction

We have been instructed by the Company to review the financial information for the 26 week period ended 25 August 2007 which comprises the consolidated interim balance sheet as at 25 August 2007 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the 26 weeks then ended and related notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the Annual Financial Statements of Instore plc are prepared in accordance with IFRSs as adopted by the European Union. The financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and

verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly, we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules for the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks ended 25 August 2007.

PricewaterhouseCoopers LLP

Chartered Accountants

Leeds

19 October 2007

Unaudited Consolidated Income Statement

for the 26 weeks ended 25 August 2007

	Notes	26 weeks ended 25 August 2007			26 weeks ended 26 August 2006		
		Before	Exceptional	Total	Before	Exceptional	Total
		exceptional items £'000	items (note 5) £'000		exceptional items £'000	items (note 5) £'000	
Revenue		133,763	—	133,763	127,988	—	127,988
Cost of sales		(120,732)	—	(120,732)	(120,114)	(1,800)	(121,914)
Gross profit		13,031	—	13,031	7,874	(1,800)	6,074
Distribution costs		(8,701)	—	(8,701)	(7,933)	—	(7,933)
Administrative expenses		(7,962)	(1,725)	(9,687)	(9,674)	—	(9,674)
Operating loss		(3,632)	(1,725)	(5,357)	(9,733)	(1,800)	(11,533)
Finance income		170	—	170	88	—	88
Finance costs		(38)	—	(38)	(138)	—	(138)
Loss on ordinary activities before taxation		(3,500)	(1,725)	(5,225)	(9,783)	(1,800)	(11,583)
Taxation	6	(430)	—	(430)	443	—	443
Loss for the period attributable to equity shareholders		(3,930)	(1,725)	(5,655)	(9,340)	(1,800)	(11,140)
Loss per share (pence)							
— Basic and diluted	7			(2.54)			(4.96)

Unaudited Consolidated Statement of Changes in Shareholders' Equity

for the 26 weeks ended 25 August 2007

	Called up share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 26 February 2006	28,721	97,794	2,793	(83,618)	45,690
Loss for the period	—	—	—	(11,140)	(11,140)
Share-based payment charge for the period	—	—	332	—	332
Cash flow hedges					
Fair value gains in the period	—	—	1,529	—	1,529
Transfers to net profit	—	—	(2,553)	—	(2,553)
At 26 August 2006	28,721	97,794	2,101	(94,758)	33,858

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 25 February 2007	28,721	97,794	3,310	(95,889)	33,936
Loss for the period	—	—	—	(5,655)	(5,655)
Share-based payment credit for the period	—	—	(772)	—	(772)
Cash flow hedges					
Fair value gains in the period	—	—	3,152	—	3,152
Transfers to net profit	—	—	(2,855)	—	(2,855)
Movement in respect of investment in own shares	—	—	—	(230)	(230)
At 25 August 2007	28,721	97,794	2,835	(101,774)	27,576

Unaudited Consolidated Balance Sheet

as at 25 August 2007

	Notes	25 August 2007 £'000	26 August 2006 £'000	24 February 2007 £'000
Non-current assets				
Property, plant and equipment	8	35,432	36,817	36,114
Deferred tax		2,040	1,981	2,556
Other receivables		949	—	949
		38,421	38,798	39,619
Current assets				
Inventories		33,326	28,837	26,494
Trade and other receivables		9,330	11,674	7,598
Cash and cash equivalents		10,208	11,278	21,362
		52,864	51,789	55,454
Total assets		91,285	90,587	95,073
Current liabilities				
Trade and other payables	10a	(47,850)	(39,231)	(43,837)
Derivative financial instruments		(1,260)	(1,306)	(1,800)
Current tax liabilities		(112)	(112)	(112)
Provisions	11	(1,230)	(1,121)	(1,093)
		(50,452)	(41,770)	(46,842)
Net current assets		2,412	10,019	8,612
Non-current liabilities				
Provisions	11	(9,707)	(11,349)	(10,684)
Other non-current payables	10b	(3,550)	(3,610)	(3,611)
		(13,257)	(14,959)	(14,295)
Total liabilities		(63,709)	(56,729)	(61,137)
Net assets		27,576	33,858	33,936
Equity				
Called up share capital		28,721	28,721	28,721
Share premium account		97,794	97,794	97,794
Other reserves		2,835	2,101	3,310
Retained earnings		(101,774)	(94,758)	(95,889)
Total equity		27,576	33,858	33,936

Unaudited Consolidated Cash Flow Statement

for the 26 weeks ended 25 August 2007

		26 weeks ended 25 August 2007 £'000	26 weeks ended 26 August 2006 £'000
	Notes		
Cash flows from operating activities			
Cash (absorbed by)/generated from operations	9	(7,410)	721
Interest received		170	88
Interest paid		(38)	(141)
Tax received		—	1,235
Net cash (outflow)/inflow from operating activities		(7,278)	1,903
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,646)	(2,384)
Cash used in investing activities		(3,646)	(2,384)
Cash flow from financing activities			
Acquisition of own shares		(230)	—
Cash outflow from financing activities		(230)	—
Net decrease in cash		(11,154)	(481)
Cash and cash equivalents at 25 February 2007/26 February 2006		21,362	11,759
Cash and cash equivalents at 25 August 2007/26 August 2006		10,208	11,278

Notes to the Interim Report

for the 26 weeks ended 25 August 2007

1 GENERAL INFORMATION

The Company is a limited liability Company incorporated and domiciled in the UK. The address of its registered office is Trident Business Park, Leeds Road, Huddersfield, HD2 1UA.

The Company has its primary listing on the London Stock Exchange.

This condensed consolidated half-yearly financial information was approved for issue on 19 October 2007.

These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the 52 weeks ended 24 February 2007 were approved by the Board of Directors on 21 May 2007 and delivered to the Registrar of Companies. The financial information contained in this interim report in respect of the 52 weeks ended 24 February 2007 has been extracted from the 2007 annual report and financial statements. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

The maintenance and integrity of the Instore plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

2 BASIS OF PREPARATION

This condensed consolidated half-yearly financial information for the period ended 25 August 2007 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the 52 weeks ended 24 February 2007, which have been prepared in accordance with IFRSs as adopted by the European Union.

The financial statements have been prepared under the historical cost convention, with the exception of financial assets and financial liabilities (including derivative instruments) which are measured at fair value through profit or loss.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the financial statements for the 52 weeks ended 24 February 2007, as described in those annual financial statements.

Of the new standards, amendments to standards and interpretations that are in issue and available for adoption, only IFRS 7 'Financial instruments: Disclosures' and the complementary amendment to IAS 1 'Presentation of financial statements – Capital disclosures' are relevant to the Group and have been adopted for the financial period ending 1 March 2008. IFRS 7 and the amendment to IAS 1 introduce new disclosures relating to financial instruments and do not have any impact on the classification or valuation of financial instruments. As this interim report contains only condensed financial statements, the new disclosures will be given for the first time in the annual financial statements.

Notes to the Interim Report

for the 26 weeks ended 25 August 2007

4 SEGMENT INFORMATION

Turnover is derived from a single activity, being variety discount retailing in the UK, and therefore there is only one business segment, operating in one geographical location.

5 EXCEPTIONAL ITEMS

Items that are both material in size and unusual and infrequent in nature are presented as exceptional items in the income statement. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance.

Operating exceptional items are analysed as follows:

	26 weeks ended 25 August 2007 £'000	26 weeks ended 26 August 2006 £'000
Cost of sales:		
Provision for closed stores	—	(1,800)
Administrative expenses:		
Restructuring costs	(1,725)	—
	(1,725)	(1,800)

During the 52 week period ended 25 February 2006, the Directors conducted a detailed commercial assessment of stores, incorporating not just basic trading performance but also their location, demographics and ability to convert to the ...instore brand which led to 11 stores being identified for closure. Based upon advice received from independent consultants a provision was made for the likely costs to be incurred on store disposal.

During the 26 week period ended 26 August 2006, the Directors' assessed the expected remaining disposal cost. Accordingly, a further £1.8 million was provided for the likely costs of disposal of the 6 remaining stores.

During the 26 week period ended 25 August 2007 restructuring costs of £1.7 million were incurred.

Notes to the Interim Report

for the 26 weeks ended 25 August 2007

6 TAXATION

The tax charge for the period is £430,000 (2006: credit £443,000). The effective rate of tax is lower than the prevailing UK statutory rate of 30% as no deferred tax asset has been recognised in relation to losses arising in the period. The tax charge relates to movements in deferred tax relating to short-term timing differences.

7 LOSS PER SHARE

The basic loss per share calculation for the 26 weeks ended 25 August 2007 is based on the loss after taxation of £5,655,000 (2006: £11,140,000), divided by the weighted average number of ordinary 10p shares of 222,831,674 (2006: 224,821,177), which has been reduced to reflect own shares purchased by the Brown & Jackson Employee Share Trust which are treated as being cancelled for the purpose of this calculation. The diluted loss per share is equal to the basic loss per share.

The basic loss per share before exceptional items for the 26 weeks ended 25 August 2007 was 1.76p (2006: 4.15p).

8 CAPITAL EXPENDITURE

	26 weeks ended 25 August 2007 £'000	26 weeks ended 26 August 2006 £'000
Opening net book amount 25 February 2007/26 February 2006	36,114	39,238
Additions	3,322	1,381
Disposals	(286)	(388)
Depreciation, amortisation, impairment and other movements	(3,718)	(3,414)
Closing net book amount 25 August 2007/26 August 2006	35,432	36,817

The Group had capital commitments of £nil at 25 August 2007 (2006: £nil) and capital commitments which had been authorised but not contracted for of £nil (2006: £nil).

Notes to the Interim Report

for the 26 weeks ended 25 August 2007

9 NOTE TO THE CASH FLOW STATEMENT

Reconciliation of cash (absorbed by)/generated from operations

	26 weeks ended 25 August 2007 £'000	26 weeks ended 26 August 2006 £'000
Loss for the financial period	(5,655)	(11,140)
Adjustments for:		
Taxation	430	(443)
Finance income	(170)	(88)
Finance costs	38	138
Depreciation	3,718	3,414
Loss on disposal of property, plant and equipment	286	388
Share-based payment (credit)/charge	(772)	332
(Increase)/decrease in inventories	(6,832)	11,900
Increase in trade and other receivables	(1,732)	(1,255)
Increase/(decrease) in payables	4,119	(2,999)
(Decrease)/increase in provisions	(840)	474
Cash (absorbed by)/generated from operations	(7,410)	721

10 LIABILITIES

(a) Current liabilities

	25 August 2007 £'000	26 August 2006 £'000	24 February 2007 £'000
Trade payables	30,147	22,276	23,559
Other taxes and social security costs	2,109	4,448	5,612
Other payables	4,253	4,391	4,301
Accruals and deferred income	11,341	8,116	10,365
	47,850	39,231	43,837

(b) Non-current liabilities

	25 August 2007 £'000	26 August 2006 £'000	24 February 2007 £'000
Other payables	3,550	3,610	3,611

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for the 26 weeks ended 25 August 2007

11 PROVISIONS

	Dilapidations provision £'000	Closed store provision £'000	Total £'000
Opening net book amount 26 February 2006	10,772	1,224	11,996
Charged to the profit and loss account	—	1,800	1,800
Utilised during the period	(91)	(1,087)	(1,178)
Released during the period	(148)	—	(148)
Closing net book amount 26 August 2006	10,533	1,937	12,470
Opening net book amount 25 February 2007	10,352	1,425	11,777
Charged to the profit and loss account	12	—	12
Utilised during the period	(253)	(436)	(689)
Released during the period	(163)	—	(163)
Closed net book amount 25 August 2007	9,948	989	10,937
Provisions have been analysed between current and non-current as follows:			
	26 weeks ended 25 August 2007 £'000	26 weeks ended 26 August 2006 £'000	
Current	1,230	1,121	
Non-current	9,707	11,349	
	10,937	12,470	

Notes to the Interim Report

for the 26 weeks ended 25 August 2007

12 CONTINGENT LIABILITIES

The Group had guaranteed certain lease obligations of its subsidiary undertakings which were disposed of to Tradegro Limited during the period ended 22 February 2003. Tradegro Limited has agreed to indemnify the Company against claims received under the guarantees. These leases all expire between 9 and 12 years. The maximum potential annual liability under these leases is £427,000 (2006: £512,000).

As at 25 August 2007 the Group had guarantees in respect of Customs and Excise duty deferment of £500,000 (2006: £500,000) and stand-by letters of credit given to suppliers of £720,000 (2006: £550,000).

13 RELATED PARTY TRANSACTIONS

Tradehold Limited, Tradegro Limited and Tradegro (UK) Limited are related parties to Instore plc and its subsidiary undertakings. At 25 August 2007 Tradegro Limited owned 34.81% of the ordinary 10p shares in Instore plc. C H Wiese and C Moore, Directors of Tradehold Limited, are also Directors of Instore plc. C Moore is a Director of Tradegro Limited and Tradegro (UK) Limited.

Material transactions between related parties in relation to Tradehold Limited, Tradegro Limited and Tradegro (UK) Limited in the period to 25 August 2007 were:

- a) £9,000 (2006: £12,000) paid to Tradegro Limited for travel costs incurred during the period.
- b) £56,000 (2006: £134,000) was received from Tradegro (UK) Limited in respect of rental payments reimbursed in connection with the indemnity arrangements agreed on disposal of previously held subsidiaries.

Crown Crest (Leicester) plc and Seaham Investments Limited are also related parties to Instore plc and its subsidiary undertakings. At 25 August 2007 Seaham Investments owned 29.78% of the ordinary 10p shares in Instore plc. A Tayub is a Director of Crown Crest (Leicester) plc and Seaham Investments Limited. A Tayub is also a Non-executive Director of Instore plc. Although A Tayub is a Non-executive Director, he is performing some of the duties of an Executive Director.

Material transactions between related parties in relation to Crown Crest (Leicester) plc and Seaham Investments Limited in the period to 25 August 2007 were:

- a) £6,586,000 (2006: £423,000) paid to Crown Crest (Leicester) plc during the period for purchases of goods for resale during the ordinary course of business. As at 25 August 2007 an amount of £763,000 (2006: £214,000) was owed to Crown Crest (Leicester) plc in respect of these purchases.
- b) £38,000 (2006: £nil) was paid to Crown Crest (Leicester) plc during the period for the purchase of a motor vehicle.

13 RELATED PARTY TRANSACTIONS continued

Key management represents Directors. Key management compensation amounted to £182,000 as of 25 August 2007 (£552,000 as of 26 August 2006). Further details are given in the table below:

	25 August 2007 £'000	26 August 2006 £'000
Salaries and other short-term benefits	377	392
Termination benefit	451	—
Share-based payments	(646)	160
	182	552

The termination benefit included in the table above was granted to Mr T M Coates. Following the resignation of Mr T M Coates and the lapse of share options previously granted, share-based payment charges previously recognised in relation to Mr T M Coates have been released to the profit and loss account in accordance with IFRS 2.

Statement of Directors' Responsibilities

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair view of the information required by DTR 4.2.7 and DTR 4.2.8.

The Directors of Instore plc are listed in the Instore plc annual report for the 52 week period ended 24 February 2007, with the exception of the following changes in the period: Mr T M Coates resigned on 21 May 2007; Sir Geoff Mulcahy resigned on 25 May 2007; Mr G J Brown resigned on 6 September 2007; Mr P Burdon was appointed 21 May 2007; Mr A Tayub was appointed on 26 July 2007. A list of current Directors is available from Instore plc's registered office.

By order of the Board

P Burdon

Chief Executive

C H Wiese

Chairman

...instore



Instore plc

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