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INGLES MARKETS INC
Form 11-K
June 29, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the fiscal year ended December 31, 2006

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-14706-

A. Full title of the plan and the address of the plan, if different
from that of the issuer named below:

Ingles Markets, Incorporated
Investment/Profit Sharing Plan

B. Name of issuer of the securities held pursuant to the plan and
the address of its principal executive office:

Ingles Markets, Incorporated
P.O. Box 6676
Asheville, North Carolina 28816

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

Ingles Markets, Incorporated Investment/Profit Sharing Plan

As of December 31, 2006 and 2005 and for the year ended December 31, 2006 with
Report of Independent Registered Public Accounting Firm

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Ingles Markets, Incorporated Investment/Profit Sharing Plan

Audited Financial Statements and Supplemental Schedules

As of December 31, 2006 and 2005
and for the Year Ended December 31, 2006

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Report of Independent Registered Public Accounting Firm

The Plan Administrative Committee
Ingles Markets, Incorporated Investment/Profit Sharing Plan

We have audited the accompanying statements of net assets available for benefits of the Ingles Markets, Incorporated Investment/Profit Sharing Plan as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2006 and 2005, and the changes in its net assets available for benefits for the year ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2006 and reportable transactions for the year ended December 31, 2006 are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

Greenville, South Carolina
June 26, 2007

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Ingles Markets, Incorporated Investment/Profit Sharing Plan

Statements of Net Assets Available for Benefits

	December 31	
	2006	2005

Assets		
Investments at fair value:		
Employer securities	\$44,514,504	\$25,471,802
Collective trust funds	18,449,283	17,313,683
Mutual funds	20,701,600	17,951,849
Loans to participants	3,838,001	3,362,097

	87,503,388	64,099,431
Cash	307,027	115,410
Receivables:		
Participant contributions	-	157,588

Total assets	87,810,415	64,372,429

Liabilities		
Due to broker, net	288,316	85,040

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Net assets available for benefits

 \$87,522,099 \$64,287,389
 =====

See accompanying notes.

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Ingles Markets, Incorporated Investment/Profit Sharing Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2006

Additions

Net appreciation in fair value of investments
 Dividends
 Interest on participant loans

\$ 25
 1

 27

Contributions:
 Participants

3

Total additions

31

Deductions
 Distributions to participants
 Administrative expenses
 Corrective distributions

7

 7

Total deductions

7

Net increase
 Net assets available for benefits at beginning of year

23
 64

Net assets available for benefits at end of year

\$ 87
 =====

See accompanying notes.

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Ingles Markets, Incorporated Investment/Profit Sharing Plan

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Notes to Financial Statements

December 31, 2006

1. Description of the Plan

The following description of the Ingles Markets, Incorporated Investment/Profit Sharing Plan (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions. Copies of the Plan document are available from the Plan Administrative Committee.

General

The Plan is a defined contribution plan covering substantially all employees of Ingles Markets, Incorporated (the "Company" and "Plan Sponsor") and its wholly-owned subsidiary Milkco, Inc. who have completed one year of eligibility service as defined in the Plan document and are at least 18 years of age. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

Contributions

The Plan provides for three types of contributions: (i) Company profit sharing plan contributions to the Ingles Stock Fund (Class B) made by the Company - discretionary in nature; (ii) participant 401(k) contributions from 1% to 5% (in increments of 1%) of their pre-tax annual compensation as defined in the Plan document (subject to regulatory limitations), and (iii) Company 401(k) matching contributions, discretionary in nature and determined by the Company for each payroll period. During 2006, the Plan document was amended to change the limit of the discretionary 401(k) matching contribution from a maximum of 5% to a maximum of 3% of a participant's compensation as defined in the Plan document. In addition, all participants who have attained age 50 before the close of the Plan year shall be eligible to make catchup contributions, also subject to regulatory limitations.

In 2006, the Company made discretionary 401(k) matching contributions of \$1,039,179 which were funded through forfeitures. The Company made no discretionary profit sharing contributions during 2006.

Participant Accounts

Each participant's account is credited with the participant's contributions and with allocations of Plan earnings and any Company matching and profit-sharing contributions. Allocations are based on participant account balances, participant compensation as defined in the Plan document, or participant contributions. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

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Upon enrollment in the Plan, participants may direct participant and Company matching contributions in 1% increments to any of the Plan's fund options. No participant 401(k) contributions can be made to the Ingles Stock Fund. Participants may change their investment options daily.

Vesting and Forfeitures

Contributions by participants plus actual earnings thereon are immediately 100% vested and nonforfeitable. Participants become vested in the Company's matching and profit sharing contributions on a graduated basis with 100% vesting occurring after the completion of six years of service.

Forfeited balances are utilized as follows:

- a. First, to restore the nonvested portion of the Company contribution accounts of certain terminated participants who subsequently participate in the Plan as a rehire as described in the Plan document.
- b. Second, at the discretion of the Plan Sponsor, to pay Plan expenses.
- c. Third, to reduce Plan Sponsor contributions as described in the Plan document.

Forfeitures of \$1,049,075 were used during 2006 to reduce the Company's matching contributions and to pay certain administrative expenses. Unallocated forfeitures at December 31, 2006 and 2005 were \$181,175 and \$970,780, respectively.

Participant Loans

Participants may borrow from their fund accounts a minimum of \$500 to a maximum equal to the lesser of \$50,000 or 50% of their vested balances with the term of the loan not exceeding five years except for loans to purchase the borrower's principal residence whose term shall not exceed ten years. The loans are secured by the balance in the participant's account. The interest rate used will be comparable to rates charged by local lending institutions for similar loans. Principal and interest are paid ratably through employee payroll deductions.

Payment of Benefits

Upon termination of service, death, disability or retirement, a participant, or their beneficiary in the case of death, may receive a lump-sum amount equal to the vested value of his or her account.

Ingles Markets, Incorporated Investment/Profit Sharing Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Administrative Expenses

Certain legal and accounting fees and certain administrative expenses relating to the Plan are paid by the Company and will not be reimbursed by the Plan. Other allowable expenses such as investment advisory fees are paid by the Plan.

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Credit Risk

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements and schedule of the Plan. Because the Ingles Stock Fund - Class B and the Ingles Class A Stock Fund are not diversified, they may experience wider variation in value than the other Plan funds.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

New Accounting Pronouncement

In December 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position AAG INV-1 and SOP 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the FSP). The FSP defines the circumstances in which an investment contract is considered fully benefit responsive and provides certain reporting and disclosure requirements for fully benefit responsive investment contracts in defined contribution health and welfare and pension plans. The financial statement presentation and disclosure provisions of the FSP are effective for financial statements issued for annual periods ending after December 15, 2006 and are required to be applied retroactively to all prior periods presented for comparative purposes. The Plan has adopted the provisions of the FSP at December 31, 2006.

Ingles Markets, Incorporated Investment/Profit Sharing Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

As required by the FSP, investments in the accompanying Statements of Net Assets Available for Benefits include fully benefit responsive investment contracts recognized at fair value. AICPA Statement of Position 94-4-1, Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Pension Plans, as amended, requires fully benefit responsive investment contracts to be reported at fair value in the Plan's Statement of Net Assets Available for Benefits with a corresponding adjustment to reflect these investments at contract value. As of December 31, 2006 and 2005, the contract value of investments in fully benefit responsive investment contracts approximates fair value. Adoption of the FSP had no effect on the Statement of Changes in Net Assets Available for Benefits for any period presented.

2. Summary of Accounting Policies

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Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Quoted market prices of the Ingles Markets, Incorporated Class A Common Stock are used to value the Ingles Markets, Incorporated Class B Common Stock. The fair value of the participation units owned by the Plan in collective trust funds held by Wachovia Bank, N.A., the Plan trustee, are based on quoted redemption values on the last business day of the Plan year. Securities traded on a national securities exchange are valued at the closing price on the last business day of the Plan year. The loans to participants are valued at their outstanding balances, which approximate fair value. The Plan's investments in the Wachovia Diversified Stable Value Fund and Stable Investment Fund of Wachovia, collective trust funds, are recorded on the financial statements at contract value, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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Ingles Markets, Incorporated Investment/Profit Sharing Plan

Notes to Financial Statements (continued)

3. Investments

The primary trustee for the Plan, Wachovia Bank, N.A., is responsible for maintaining custody of the investment funds, excluding Ingles Markets, Incorporated stock. The Plan Administrative Committee appoints the trustees responsible for maintaining custody of the Ingles stock component of the Ingles Stock Funds.

During 2006, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated in value as follows:

	Net Appreciation Value of Invest

Employer securities (quoted market prices)	\$ 22,930,
Mutual funds (quoted market prices)	1,068,
Collective trust funds (quoted redemption values)	1,717,

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Total

\$ 25,716,
=====

Investments that represent 5% or more of the fair value of the Plan's net assets are as follows:

	December 31, 2006	Decem 20

Employer Securities:		
Ingles Stock Fund - Class B*	\$ 42,182,524	\$ 24,
Mutual Funds:		
Evergreen Short Intermediate Bond Fund Class I	3,604,010	3,
Van Kampen Equity Income Fund Class A	6,503,360	6,
Collective Trust Funds:		
Stable Portfolio Group Trust Fund of Wachovia	-	9,
Wachovia Diversified Stable Value Fund	8,577,071	
Enhanced Stock Market Fund of Wachovia	8,556,263	8,
Loans to participants	3,838,001	3,
* Nonparticipant-directed.		

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Ingles Markets, Incorporated Investment/Profit Sharing Plan

Notes to Financial Statements (continued)

4. Nonparticipant-directed Investments

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	December 31, 2006	Decem 20

Net assets:		
Employer securities:		
Ingles Stock Fund - Class B	\$ 42,182,524	\$ 24,

Changes in net assets:

Yea
Dece

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Net appreciation in fair value	\$ 22
Distributions to participants	(3)
Transfers to other plan funds	
Administrative expenses	

Total	\$ 17
	=====

5. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated September 25, 2003 stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan administrator believes the Plan is being operated in compliance with the applicable requirement of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

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Ingles Markets, Incorporated Investment/Profit Sharing Plan

Notes to Financial Statements (continued)

6. Differences Between Financial Statements and Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 at:

	December 31, 2006	Decem 20
	-----	-----
Net assets available for benefits per the financial statements	\$ 87,522,099	\$ 64,
Less: Contributions receivable	-	
Net assets available for benefits per the Form 5500	\$ 87,522,099	\$ 64,
	-----	-----

The following is a reconciliation of contributions per the financial statements to the Form 5500:

Yea
Dece

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Contributions per the financial statements
Plus: Contributions receivable at end of prior year

Contributions per the Form 5500

\$ 3,

\$ 4,
=====

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Ingles Markets, Incorporated Investment/Profit Sharing Plan

Notes to Financial Statements (continued)

7. Party-in-interest Transactions

Participants may direct investment of their Plan balance into the AdviceTrack program where Wachovia, the Plan trustee, is responsible for managing the investments in Participant accounts. These transactions qualify as party-in-interest transactions. AdviceTrack investments utilize the following funds:

Enhanced Stock Market of Wachovia
Diversified Bond Group Trust of Wachovia
Stable Investment Fund of Wachovia
Evergreen International Bond Fund I
Pimco Real Return Fund Inst
Pimco High Yield Fund Inst
American Century Small Company I
T Rowe Price Real Estate Fund
Evergreen Strategic Growth I
T Rowe Price Equity Income
The Boston Company Small Cap Value I
Alger Small Cap Inst
Evergreen International Equity I
Lazard Emerging Markets Fund

Due to restrictions on the trading periods of the Ingles stock, effective May 2007 the Plan Sponsor may advance funds to the Plan for the purpose of making distributions of participants' holdings in the Ingles Stock Fund. Advances are interest free and will be repaid through the dividends received on the Ingles Class B stock and, if necessary, the conversion of the Ingles Class B stock to Class A stock and subsequent market sale of the Class A shares.

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Supplemental Schedules

Ingles Markets, Incorporated Investment/Profit Sharing Plan
EIN: 56-0846267 Plan Number: 001

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Schedule H, Line 4i -
Schedule of Assets (Held at End of Year)

December 31, 2006

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value

	Collective Trust Funds:	
*	Wachovia Bank, N.A.	Wachovia Diversified Stable Value Fund
*	Wachovia Bank, N.A.	Enhanced Stock Market Fund of Wachovia
*	Wachovia Bank, N.A.	Diversified Bond Group Trust of Wachovia
*	Wachovia Bank, N.A.	Stable Investment Fund of Wachovia
	Mutual Funds:	
*	Wachovia Bank, N.A.	Evergreen Short Intermediate Bond Fund Class I
	AIM Investments	AIM Basic Value Fund Class A
	Goldman Sachs	Goldman Sachs Small Cap Value Fund Class A
	American Funds	American Funds Growth Fund of America Class A
	Dreyfus	Dreyfus MidCap Index Fund, Inc.
	Van Kampen	Van Kampen Equity Income Fund Class A
	Franklin Templeton	Templeton Foreign Fund Class A
*	Wachovia Bank, N.A.	Evergreen International Bond Fund I
	PIMCO	Pimco Real Return Fund Inst
	PIMCO	Pimco High Yield Fund Inst
	American Century	American Century Small Company I
	T. Rowe Price	T Rowe Price Real Estate Fund
*	Wachovia Bank, N.A.	Evergreen Strategic Growth I
	T. Rowe Price	T Rowe Price Equity Income
	Mellon	The Boston Company Small Cap Value I
	Alger	Alger Small Cap Inst
*	Wachovia Bank, N.A.	Evergreen International Equity I
	Lazard	Lazard Emerging Markets Fund

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Ingles Markets, Incorporated Investment/Profit Sharing Plan
EIN: 56-0846267 Plan Number: 001

Schedule H, Line 4i -
Schedule of Assets (Held at End of Year) (continued)

(b) Identity of Issuer, Borrower,	(c) Description of Investment, Including
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(a)	Lessor or Similar Party	Maturity Date, Rate of Interest, Collateral, Par or Maturity Value
	Employer Securities:	
*	Ingles Markets, Incorporated	Ingles Stock Fund - Class B
*	Ingles Markets, Incorporated	Ingles Class A Stock Fund
*	Loans to participants	Interest rates of 5.0% to 10.5%; maturity dates of 2007-2019

* Represents a party-in-interest.

** Cost information has been included only for all non-participant directed investments.

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Ingles Markets, Incorporated Investment/Profit Sharing Plan
 EIN: 56-0846267 Plan Number: 001

Schedule H, Line 4j -
 Schedule of Reportable Transactions

Year Ended December 31, 2006

(a) Identity of Party Involved	(b) Description of Asset	(c) Purchase Price	(d) Selling Price	(g) C	As
Category (Iii) - Series of Transactions in Excess of Five Percent of Plan Assets.					
Ingles Markets, Incorporated	Ingles Stock Fund - Class B	\$ 38,472	\$ -	\$	
Ingles Markets, Incorporated	Ingles Stock Fund - Class B	-	4,649,872		1,35

Columns (e) and (f) have not been presented as this information is not applicable.

There were no category (i), (ii), or (iv) reportable transactions during the year ended December 31, 2006.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Ingles Markets Incorporated
Investment/Profit Sharing Plan

Date: June 29, 2007

By: /s/ Robert P. Ingle

Robert P. Ingle
Plan Administrative Committee Chairman

By: /s/ James W. Lanning

James W. Lanning
Plan Administrative Committee Member

By: /s/ Ronald B. Freeman

Ronald B. Freeman
Plan Administrative Committee Member

EXHIBIT INDEX

Exhibit 23 Consent of Ernst & Young LLP

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-74459) pertaining to the Investment/Profit Sharing Plan of Ingles Markets, Incorporated of our report dated June 26, 2007, with respect to the financial statements and supplemental schedules of the Ingles Markets, Incorporated Investment/Profit Sharing Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2006.

/s/ Ernst & Young LLP

Greenville, South Carolina
June 27, 2007