

# INTERIM REPORT & FINANCIAL STATEMENTS 2007

28 WEEKS ENDED 11TH AUGUST 2007



**Chelmsford Star**  
**Co-operative**  
**Society Limited**  
Registered office:  
220 Moulsham Street,  
Chelmsford, Essex  
Registered number:  
973R, Essex  
[www.chelmsfordstar.coop](http://www.chelmsfordstar.coop)



**Chelmsford Star**  
at the heart of essex

*Celebrating 140 years*

# DIRECTORS, MANAGEMENT EXECUTIVE & ADVISERS

As at 11th August 2007

## BOARD OF DIRECTORS

### PRESIDENT

**Mr T G Haggerty**

### DIRECTORS

**Mr M P Austin** - Vice-President

**Ms A K Bearman**

**Mr C Fegan**

**Mr L Gardner**

**Mrs J Goodridge**

**Mrs J Martin**

**Mr T Price**

**Mr R Simons**

**Mr M F R Whalley**

### AUDIT COMMITTEE

**Mrs J Martin** (Chair)

**Mr T G Haggerty**

**Mr L Gardner**

### REMUNERATION COMMITTEE

**Mr T G Haggerty** - President

**Mr M P Austin** - Vice-President

**Mrs J Martin**

**Mr R Simons**

### MEMBERSHIP COMMITTEE

**Mr M F R Whalley** (Chair)

**Ms A K Bearman**

**Mr C Fegan**

**Mrs J Goodridge**

**Mr L Hope** (elected)

**Mrs S Saxton** (elected)

**Mr R Hilsley**

(Chair of the Members' Council)

- co-opted under the Rules to serve

on the Membership Committee

## MANAGEMENT EXECUTIVE

**Mr A W Gudgeon** - Chief Executive Officer

**Mr M Burden** - Operations Manager, Department Stores

**Mr S B Hammond** - Information Systems Controller

**Miss V J Howard** - Marketing and PR Manager

**Mr R Lemka** - Member Relations Officer

**Mr R Myddelton FCCA** - Head of Finance and Secretary

**Mrs A Rowland** - Human Resources Manager

**Mr B J Wood MCMI CIRM** - Deputy Chief Executive Officer

## ADVISERS

### AUDITORS

**MacIntyre Hudson LLP**

**Chartered Accountants**

**Moulsham Court**

**39 Moulsham Street**

**Chelmsford**

### SOLICITORS

**Wortley Redmayne Kershaw**

**Stonebridge House**

**Stonebridge Walk**

**Chelmsford**

### PRINCIPAL BANKERS

**The Co-operative Bank Plc**

**1 Balloon Street**

**Manchester**

### REGISTERED OFFICE

**220 Moulsham Street Chelmsford CM2 0LS**

**Registered Number 973R Essex**

**[www.chelmsfordstar.coop](http://www.chelmsfordstar.coop)**

**email: [members@chelmsfordstar.coop](mailto:members@chelmsfordstar.coop)**



# INTERIM REPORT TO MEMBERS

## To the Members:

Fellow Co-operators,

Your Board of Directors has pleasure in submitting for your consideration its tenth interim report, which covers a period of 28 weeks which ended on 11th August 2007.

## Gross Takings

Your Society's gross takings for the period amount to £30,851,194 which compares to last year's figure of £29,168,134, an increase of £1,683,060 or 5.77%.

The period under review has been extremely challenging for a number of reasons, not least, intensified competition in our key market of convenience foods, the inclement weather which has depressed sales particularly in ladies' fashions and the rising interest rates which have dented consumer confidence. The Society has also experienced some problems with the deliveries of fresh foods which have, on occasions, led to some products not being available.

**Notwithstanding these challenges, the gross takings figure is a new record for the Society and it is your Directors' opinion that your Society's first half takings are credible given the aforementioned circumstances.**

## Gross Profit

The total earned from the Society's sales amounted to £6,715,506; this compares to last year's figure of £6,426,645, which is an increase of £288,861 or 4.49%.

The challenging trading conditions which have persisted throughout the half year have unquestionably led to the Society's gross earnings being eroded; they are below the requirements of our business plan but, taking everything into consideration, the Society's performance in this area is considered to be satisfactory.

## Operating Costs

The total costs of operating the Society have amounted to £6,330,997; this compares to a total of £6,023,366 last year, which is an increase of £307,631 or 5.11%.

The Society has faced a number of very serious challenges on the cost side of its operations; wages, utility and transport costs have all increased

significantly. Strenuous efforts have been made throughout the half year to keep costs down.

**Your Directors are pleased to be able to inform members that operating costs in this period are substantially below the level of costs envisaged in the business plan and this has contributed greatly towards protecting the Society's profitability.**

## Trading Profitability

The difficult trading conditions which have been experienced this year were to some extent anticipated in the Society's business plan and trading profit at the half year was anticipated to be similar to last year with progress hopefully being made in the second half.

The Society's trading profit for the period amounts to £384,509 which, compared to last year's figure of £403,279 is a reduction of £18,770 or 4.65%.

**Your Directors are naturally disappointed to be down in profits, but given all the challenges the Society has faced, the result does demonstrate that the Society has over recent years, built a fairly resilient infrastructure.**

## Business Developments

The Directors have continued their efforts to build on the Society's growth of recent years by authorising further business development and business acquisitions; a total of £1,387,690 has been spent on capital projects in the half year.

During this half year, the Society's departmental store in Braintree has been completely refurbished and a number of new fashion brands have been added.

The Society has also opened a new food shop in East Tilbury, which has been very well received.

A new funeral branch has been opened in Danbury; the early results are extremely encouraging, and a further funeral branch opened in Writtle on 7th September.

The pilot scheme to re-brand Kings Road as "the co-operative" has now run its course, and the Directors have evaluated the results carefully, which were extremely good. Following further consideration of all the key issues, your Directors have concluded that it is in this Society's best interests to fully embrace the Co-operative Brand in respect of our food business. It is

hoped by the end of the year to have re-branded at least three food shops in addition to Kings Road.

Agreement has also been reached for the acquisition of Martins newsagents in Kings Road and Trent Road, Chelmsford; it is intended to incorporate both businesses into our adjacent food shops.

Also during this half year, the Society reached agreement with the East of England Society to enable the Federal Co-operative Society, the Food warehouse operator, to transfer its engagements to the East of England Society, who were in any case the majority shareholder.

The Society's food shops continue to be serviced by the warehouse, and a new agreement has been reached on the costs of the service to Chelmsford Star.

This change has enabled funds to be released which have aided the Society's development programme, and your Directors are extremely grateful to the East of England Society for their co-operation and understanding throughout.

**It is hoped that members will agree that the Directors have again fulfilled their commitment to do whatever is possible to continue the Society's growth and to increase the facilities for members.**

## Funding and Interest

The Directors have reported to members on a number of previous occasions that the Society has relatively high external borrowings, especially in Co-operative terms.

Given this situation, your Directors pay particular attention to the Society's cash position and endeavour at all times to balance the requirements of business development, with meeting other financial obligations such as to the Banks and the Pension Fund in respect of the Fund deficit.

**The Society's cash performance, interest charges and net debt position are, at the interim stage, in line with the requirements of our business plan.**

## Accounting Policy

The Society has amended its accounting policy for depreciation of Buildings and Funeral Vehicles by reducing depreciation rates from 2.5% to 2% and from 25% to 20% respectively. The Directors are confident

# INTERIM REPORT TO MEMBERS

that these revised rates continue to represent prudent and appropriate accounting strategy for the Society. The effect of this change is to reduce the depreciation charge and thereby increase profit in the period by £39,584.

## Board of Directors

Following the Annual General Meeting in April, Messrs Parker, Smeed and Smith left the Board. Your Directors would thank all of them for their many years of dedicated service to Chelmsford Star.

In keeping with our practice of recent years, the Society put together a vigorous campaign to recruit not only new Directors but new members to the Membership Committee and the Members' Council, the Council being elected in its entirety by the members for the first time.

**It is extremely gratifying to be able to report that ten entirely new members have come into the Society's governance structure, and that they are already making a valuable contribution. All elective offices were filled.**

Again following the Annual General Meeting, a new procedure came into being for the first time as regards the appointment of the Society's President. Members will recall that the office of President was previously directly elected by the members; following last year's rule changes, the President is elected by the Directors.

Your Directors, whilst fully mindful of the requirements of the new Code of Best Practice in Corporate Governance have agreed that Terry Haggerty should continue as President for a further year when the position will again be reviewed. Maurice Austin has been appointed Vice President. The Directors are grateful to Terry and Maurice for taking on these challenging and time consuming roles.

During the course of this half year, the Directors have been made aware of two issues that relate to the Society's rules. The issues concern the criteria for eligibility to be a Director, and payments to Directors for compensation for loss in the event of a transfer of engagements.

The Board has formed a Rules Sub-Committee to look into both matters and it is intended to take representations from members and to consult within the wider Co-operative Movement. The Board

will report back to members once it has finished its deliberations. At this stage, it isn't possible to give a precise timescale.

Also during this half year, the Board has undertaken a Skills Audit. Following the Audit, the individual and collective training needs of Directors will be determined.

Finally, during the half year, the Directors have continued their established practice of visiting the Society's shops.

## Membership and Community

As previously mentioned, following the elections last April, "new faces" joined both the Membership Committee and Members' Council. This infusion of new talent is most welcome and very much in the members' best interests. It also gives a strong indication of the members' active interest in the Society.

On October 8th and 9th, the Membership Committee, in conjunction with Chelmsford's Fairtrade Town Campaign Group has arranged for the film "Black Gold" about Ethiopian coffee to be shown at the Cramphorn Theatre. Full details are available via the Box Office and on the Society's website.

## Dividend

Last year, the Society for the first time paid an interim dividend which was appreciated by the members.

Your Directors have again agreed to propose the payment of an interim dividend at a rate of £3.00 for every 750 stars earned.

If approved at the members' Interim Meeting on 15th October 2007, it will be paid at the members' "home store" on 3rd December 2007.

**Members should note that the payment of an interim dividend is not a guarantee that a final dividend will be paid; this is as always, entirely dependent on the Society's full year profitability.**

## Employees

The Society has long recognised the important contribution made by the employees towards our success.

Your Directors have agreed to better recognise the efforts of the employees by launching an Awards Scheme. This will culminate in a prestigious awards evening to be held at Stock Brook Manor next June.

During the half year, three Senior Executives have left the Society - Brendan Smith, Food Operations; Stephanie Butler, Funerals and Tammy Wiseman, Business Development - Departmental Stores. The Directors would wish to place on record their thanks to each individual for their contribution to the Society.

As a consequence of these changes, the Directors are taking the opportunity to review the Senior Executive structure of the Society and it is anticipated that the outcome of the Directors' deliberations will be communicated to members via the Annual Report.

## Charity of the Year

The Society has launched a new Charity of the Year initiative and following a ballot of employees, the Essex Air Ambulance was chosen. A series of fund raising events such as sponsored rides are planned to raise funds; the Directors are very appreciative of the contributions being made by the employees.

Collection boxes are also available in all our shops for any member or customer who wishes to support this very worthy cause.

## Bereavements

During this half year, the Directors have been made aware of the following Co-operators who have, very sadly, passed away.

Mrs E M Bond  
Mr S Hendry  
Mrs H Quartermaine  
Mrs M Plummer  
Mrs F Cowell  
Mrs P Wilson  
Mr G Day

Sincere condolences are extended to all the families.

## Prospects for the Remainder of the Year

All the available evidence points to a very challenging trading environment as we go forward and particularly in the third quarter.

The Society has reviewed its business strategies in light of the changed circumstances and remains optimistic that it can still achieve its full year objectives.

Thank you to all members for your continuing support.

**13th September 2007**

# STATEMENT OF TRADING ACTIVITIES

28 WEEKS ENDED 11TH AUGUST 2007 - COMPARED WITH 28 WEEKS ENDED 12TH AUGUST 2006

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SUMMARY CONSOLIDATED REVENUE ACCOUNT	28 wks to 11th August 2007		28 wks to 12th August 2006 (Restated - Note 1 & 2)	
		(Unaudited)		(Unaudited)
	Note	£000		£000
<b>Gross Takings</b>		<b>30,851</b>		<b>29,168</b>
Less Agency and Concession Turnover excluded under the provisions of FRS5	1a	8,190		6,604
<b>Turnover</b>		<b>22,661</b>		<b>22,564</b>
Less Value Added Tax		(1,744)		(1,628)
<b>Net Sales</b>	1b	<b>20,917</b>		<b>20,936</b>
Cost of Sales		(14,201)		(14,510)
<b>Gross Surplus</b>		<b>6,716</b>		<b>6,426</b>
Trading Expenses Excluding Depreciation		(5,792)		(5,462)
<b>Trading Surplus before Depreciation</b>		<b>924</b>		<b>964</b>
Depreciation		(539)		(561)
<b>Trading Surplus</b>		<b>385</b>		<b>403</b>
Exceptional Income (net)	2	-		106
<b>Surplus before Interest &amp; Distributions</b>		<b>385</b>		<b>509</b>
Net Interest Payable		(256)		(231)
<b>Surplus before Distributions</b>		<b>129</b>		<b>278</b>

## Note 1(a) Gross Takings Adjustment

The Group has adopted the FRS5 application note in reporting its Turnover. Bill payments in Food are now deemed to be affected by this requirement (2006 figures restated). The effect is to exclude the takings in note 1(a) from Turnover.

	28 wks to 11th August 2007 (Unaudited)	28 wks to 12th August 2006 (Unaudited)	Increase/ (Decrease) %
	£000	£000	
Bill Payments - Food (restated for previous period)	4,250	3,272	
Concession Takings including VAT (Non Food)	2,491	1,979	
Agency Turnover Less Commission (Travel)	1,449	1,353	
Exclude from 'Turnover' per FRS5	<b>8,190</b>	<b>6,604</b>	

## Note 1(b) Net Sales

	£000	28 wks to 11th August 2007 (Unaudited)	£000	28 wks to 12th August 2006 (Unaudited)	
Food	22,115		20,997		
less Bill payments	4,250		3,272		
<b>Food</b>		<b>17,865</b>		<b>17,725</b>	<b>0.8</b>
Department Stores	3,932		3,318		
less Concession Sales	2,117		1,628		
<b>Department Stores</b>		<b>1,815</b>		<b>1,690</b>	<b>7.4</b>
Funeral Services		491		460	<b>6.7</b>
Travel	2,050		2,274		
less Sales as Agent	1,419		1,320		
<b>Travel</b>		<b>631</b>		<b>954</b>	<b>(33.9)</b>
Rental Property Income		115		107	<b>7.5</b>
		<b>20,917</b>		<b>20,936</b>	<b>(0.1)</b>

## Note 2 - Exceptional Income

	28 wks to 11th August 2007 (Unaudited)	28 wks to 12th August 2006 (Unaudited)
	£000	£000
VAT Refunded for previous year (2005)	-	176
Impairment of Goodwill	-	(70)
	-	106

Associated costs (£23k) reclassified as Trading Expenses in line with their treatment in the Financial Statements to 27th January 2007

# STATEMENT OF TRADING ACTIVITIES

28 WEEKS ENDED 11TH AUGUST 2007 - COMPARED WITH 28 WEEKS ENDED 12TH AUGUST 2006

CONSOLIDATED NET ASSETS	As at 11th August 2007	As at 12th August 2006
	£000	£000
Fixed Assets	14,723	13,766
Current Assets	4,558	4,219
Current Liabilities	(6,124)	(5,128)
Long Term Liabilities - Loans	(5,612)	(4,734)
FRS 17 - Gross Liability	(1,709)	(1,961)
<b>NET ASSETS</b>	<b>5,836</b>	<b>6,162</b>

CONSOLIDATED MEMBERS FUNDS	As at 11th August 2007	As at 12th August 2006
	£000	£000
Share Capital	4,860	5,080
Current Assets	976	1,082
<b>MEMBERS' FUNDS</b>	<b>5,836</b>	<b>6,162</b>

CONSOLIDATED CASH FLOW	As at 11th August 2007	As at 12th August 2006
	£000	£000
Net Cash from Operating Activities	1,138	894
Serving of Finance and Returns on Investment	(401)	(383)
Capital Expenditure, Disposals & Financial Investment	(1,130)	(576)
<b>Net Cash outflow before Management of Liquid Resources and Financing</b>	<b>(393)</b>	<b>(65)</b>
Management of Liquid Resources	(2)	(2)
Financing	203	(215)
<b>Decrease in Cash</b>	<b>(192)</b>	<b>(282)</b>

CONSOLIDATED NET DEBT	As at 11th August 2007	As at 12th August 2006
	£000	£000
Cash at Bank and in hand	393	430
Short Term Deposits	10	5
	403	435
Bank Overdraft	(898)	(701)
Loans	(5,061)	(4,388)
Finance Leases	(1,193)	(811)
	<b>(6,749)</b>	<b>(5,465)</b>

All figures in this statement are Unaudited

## MACINTYRE HUDSON LLP

### INDEPENDENT REVIEW REPORT

to Chelmsford Star Co-operative Society Limited

#### INTRODUCTION

We have been instructed by the Society to review the financial information for the 28 weeks to 11th August 2007 which comprises the Statement of Trading Activities. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Society, in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Society those matters we are required to state to it in this 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 Society for our review work, for this report, or for the opinions we have formed.

#### DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report which requires that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing and preceding annual accounts except where any changes, and the reasons for them, are disclosed.

#### 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 accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. A review of the comparative information is not included in this report. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

#### 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 28 weeks ended 11th August 2007.

MACINTYRE HUDSON LLP  
Chartered Accountants  
Moulsham Court  
39 Moulsham Street  
Chelmsford  
Essex  
CM2 0HY

13th September 2007

# ADDRESSES & TELEPHONE NUMBERS

## REGISTERED OFFICE:

220 Moulsham Street,  
Chelmsford,  
Essex CM2 0LS  
01245 490101  
Registered number:

973R, Essex  
www.chelmsfordstar.coop

## 'QUADRANT' DEPARTMENT STORES:

220 Moulsham Street,  
Chelmsford, Essex CM2 0LS  
01245 490101

George Yard, 9-15 Rayne Road,  
Braintree, Essex CM7 2QA  
01376 321303

## 'ALTOGETHER FRESHER', \* 'CO-OP LOCAL' & \*\* 'THE CO-OPERATIVE'

### FOOD STORES:

40 Duke Street,  
Chelmsford, Essex CM1 1JA  
01245 345490

16 Main Road, Danbury,  
Essex CM3 4NQ  
01245 227733

164 - 170 Meadgate Avenue,  
Great Baddow, Chelmsford,  
Essex CM2 7LJ  
01245 354759

\*\*108 Kings Road, Chelmsford,  
Essex CM1 2BB  
01245 353630

15 Havengore, Springfield,  
Chelmsford, Essex CM1 6JP  
01245 262923

83 Barnard Road, Galleywood,  
Chelmsford, Essex CM2 8RS  
01245 474591

14 - 15 Torquay Road,  
Springfield, Chelmsford,  
Essex CM1 6NF  
01245 347868

47 - 49 Main Road,  
Broomfield, Chelmsford,  
Essex CM1 7BU  
01245 440316

115 - 117 Ferry Road, Hullbridge,  
Essex SS5 6ET  
01702 232388

Beehive Lane, Westbourne Grove,  
Chelmsford, Essex CM2 9RP  
01245 357761

156 Gloucester Avenue,  
Moulsham Lodge, Chelmsford,  
Essex CM2 9LG  
01245 258089

\*Trent Road, Chelmsford,  
Essex CM1 2LQ  
01245 258585

62 Church Street, Bocking, Braintree,  
Essex CM7 5JY  
01376 326516

174 - 176 Crossing Road, Braintree,  
Essex CM7 3PL  
01376 320952

\*\*17 Bridge Street,  
Writtle, Chelmsford,  
Essex CM1 3EY  
01245 421148

42 Challis Lane, Braintree,  
Essex CM7 1AN  
01376 321615

3 - 5 Spreadeagle Place, Ingatestone,  
Essex CM4 9EA  
01277 353124

173 - 175 Long Road, Canvey Island,  
Essex SS8 0JD  
01268 693004

85 - 87 West Road, Shoeburyness,  
Essex SS3 9DT  
01702 290679

216 Main Road, Hawkwell, Hockley,  
Essex SS5 4EG  
01702 204939

12 Pauls Court, Meppel Avenue,  
Canvey Island, Essex SS8 9RZ  
01268 690092

159 Church Road, Thundersley,  
Benfleet, Essex SS7 4EN  
01268 753908

493 - 495 Southchurch Road,  
Southend-on-Sea, Essex SS12PH  
01702 461550

\*7 - 8 St. Peter's Terrace, Wickford,  
Essex SS14 0AP  
01268 768883

\*12 Ellen Way, White Court,  
Black Notley, Braintree,  
Essex CM77 7UU  
01376 346854

\*26 Melbourne Parade, Chelmsford,  
Essex CM1 2DW  
01245 347774

\*203 - 205 Mountbatten Road,  
Braintree, Essex CM7 9UL  
01376 334479

12 Stanford Place,  
Princess Margaret Road,  
East Tilbury, Essex RM18 8YP  
01375 857786

## POST OFFICE FACILITIES:

'quadrant' Braintree, 9-15 Rayne Road,  
Braintree, Essex CM7 2QA  
01376 552280

16 Main Road, Danbury,  
Essex CM3 4NQ  
01245 232001

## FUNERAL SERVICES:

78 Broomfield Road, Chelmsford,  
Essex CM1 1SS  
01245 353978

6 Clare Road, Braintree,  
Essex CM7 2PA  
01376 551951

348 Baddow Road, Chelmsford,  
Essex CM2 9RA  
01245 268993  
(corner of Beehive Lane)

47 High Street, Ingatestone,  
Essex CM4 9DU  
01277 350988

57A Main Road,  
Danbury, Essex CM3 4NG  
01245 221444

60 The Green, Writtle,  
Chelmsford, Essex CM1 3DU  
01245 422622

## TRAVEL CENTRES:

'quadrant', Chelmsford,  
220 Moulsham Street, Chelmsford,  
Essex CM2 0LS  
01245 490290  
Fax: 01245 347071

'quadrant', Braintree,  
9-15 Rayne Road,  
Braintree, Essex CM7 2QA  
01376 551444  
Fax: 01376 551906

3/5 Spreadeagle Place,  
Ingatestone, Essex CM4 9EA  
01277 353353  
Fax: 01277 356405

## CUSTOMER SERVICE FACILITIES:

220 Moulsham Street, Chelmsford,  
Essex CM2 0LS  
01245 490101

9 - 15 Rayne Road, Braintree,  
Essex CM7 2QA  
01376 321303