

Chelmsford Star Co-operative Society Limited

Annual Report and Financial Statements 09/10

**For the year ended
30th January 2010**



**Chelmsford Star
Co-operative**
at the heart of essex

www.chelmsfordstar.coop

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Directors, Elected Representatives, Management Executive and Advisers

As at 25 March 2010

BOARD OF DIRECTORS

President (appointed by the Directors)

Mr M P Austin

Directors

Mrs J E Martin - Vice-President

Ms A K Bearman

Mrs P Dodd

Mr C Fegan

Mr F P L Gardner

Mrs P Green

Mr A Price

Mr R Simons

Mr M F R Whalley

Mr T G Haggerty also served on the Board during the year under review

Audit Committee

Mr F P L Gardner (Chair)

Mrs J E Martin

Mr R Simons

Remuneration committee

President (Mr M P Austin)

Vice President (Mrs J E Martin)

Mrs P Dodd

Mr R Simons

Succession planning sub-committee

Ms A K Bearman

Mr C Fegan (Chair)

Mr F P L Gardner

Mrs P Green

Mrs J E Martin

Mr A Price

Mr R Simons

Mr M F R Whalley

Membership Committee

Mr C Fegan

Mrs P Dodd

Mrs P Green

Mr M F R Whalley (Chair)

Elected Members' Representatives

Mrs L Bowser

Mrs H Corby

Co-opted member

Mrs J Saunders (Members' Council Chair)

Members' Council

Mr S Cross

Mr D Edwards

Mr A Gunn

Mr R Jones

Mrs P Joughin

Mrs F Mockett

Mrs J Saunders (Chair)

Mr M Wallace

MANAGEMENT EXECUTIVE

Mr A W Gudgeon - Chief Executive Officer

Mr R Ducker - Department Stores Operations Manager

Mr K Grinsted - Member Relations Officer

Mr S B Hammond - Specialist Services Manager

Miss V J Howard - Marketing and PR Manager

Mr R Myddelton - 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

Moulsham Court

39 Moulsham Street

Chelmsford

Solicitors

Wortley Redmayne Kershaw

Stonebridge House

Stonebridge Walk

Chelmsford

Principal Banker

The Co-operative Bank Plc

1 Balloon Street

Manchester

REGISTERED OFFICE

220 Moulsham Street Chelmsford CM2 0LS

Registered Number 973R Essex

Email address: www.chelmsfordstar.coop

Annual General Meeting of Members

Notice is hereby given that the **Annual General Meeting of Members** will be held on **Monday 10th May 2010** at **6.30pm** in the 'quadrant' Department Store, 220 Moulsham Street, Chelmsford. Entrance from 6.00pm at the Riverside Entrance Only

AGENDA

1. Minutes of the Annual General Meeting held on 27th April 2009.

2. Directors' Report and Financial Statements for the year ending 30th January 2010.

3. Motion proposed by Malcolm Wallace, seconded by Hazel Corby:

"That this Annual General Meeting congratulates the Board of Directors, management and staff for all the hard work they have put in over recent years to generate record trading results. In doing so it is noteworthy that we have continued to support and develop the principles and values that have served Chelmsford co operators so well since the Society was established in 1867.

Members value the Society's contribution to promoting Fairtrade, its commitment to ethical standards, reducing waste, concern for the community, looking after the environment, and its Local Harvest Scheme which supports many local producers throughout our trading area. We call on the Society's Board to continue using co-operative principles and values as a way of recruiting new members."

4. Ratification of the Share of the Profits at £6.25 per 1000 points accrued on Membership cards at 30th January 2010, to be credited to Membership Cards on 11th May 2010.

5. Appointment of Scrutineers.

6. Election of 4 Directors:

4 vacancies for 3 years -
8 nominations received (see opposite).

7. Election to the Membership Committee:

1 vacancy for 2 years -
5 nominations received (see opposite).

8. Election of 4 members to the Members' Council:

4 vacancies for 2 years -
5 nominations received (see below).

9. Management Presentation:

- Review of 2009/10 Trading Year
- Future prospects and business development.

10. Approval of Directors' Fees and expenses - three yearly review.

11. Appointment of Auditor.

12. Charity of the Year 2010.

Amendments to Motions must be submitted to the Secretary by no later than 5pm on 26th April 2010.

The following candidates have been nominated for the positions indicated by the letters after their name:

B = Board

M = Membership Committee

C = Members' Council:

Hazel Corby	B	M	C
David Edwards	-	-	C
Chris Fegan	B	M	C
Evelyn Flint	B	-	-
Lance Gardner	B	-	-
Tony Gunn	B	M	C
Chris Henton	B	M	C
Judy Saunders	B	M	-
Beryl Sweeney	B	-	-

Members registered for Postal Voting will receive Ballot Papers by mail to be returned by 6th May 2010.

Admission to the Members' Meetings

RULE 9.10 states "Every member who has a vote under these Rules shall be entitled to attend Members' Meetings on the production of such evidence as the Board may from time to time determine'. *Such evidence includes Membership Cards or Members Share Pass Book.*

RULE 9.12 states "Every member of the Society shall be entitled to cast one vote on any resolution put to the members at a Members Meeting.

TRANSPORT - Members who require transport to this Meeting should contact the Secretary of the Society at the Registered Office, 220 Moulsham Street, Chelmsford, Essex, CM2 0LS (01245 216912) before 5.00pm on 3rd May 2010.

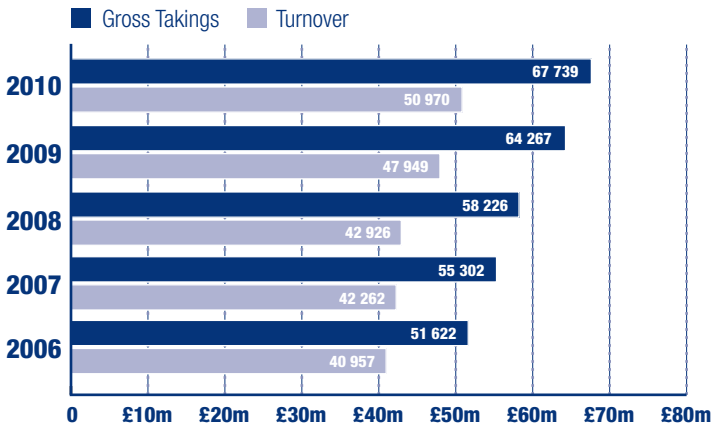
Five year comparative statement

Year ended:-	28 January 2006 52 weeks	27 January 2007 52 weeks	26 January 2008 52 weeks	31 January 2009 53 weeks	30 January 2010 52 weeks
	£	£	£	£	£
Gross Takings	51 621 694	55 301 947	58 226 381	64 267 052	67 739 277
Turnover (per FRS 5)	40 957 031	42 262 035	42 926 022	47 949 208	50 970 002
Net Sales	37 897 519	39 228 393	39 800 647	44 462 643	47 565 552
Members' Benefits & Grants	54 377	162 773	175 361	210 867	240 740
Trading Surplus	740 176	895 109	905 895	1 020 355	1 408 298
Share Interest	238 932	231 870	239 000	244 297	229 971
Retained Surplus (Deficit)	2 760	740 767	(39 404)	803 627	1 025 857
Depreciation	969 131	1 109 526	1 000 586	1 047 822	1 111 619
Capital Expenditure	1 730 572	1 518 949	1 658 650	1 025 437	1 059 346
Fixed Asset - Net Book Values	13 821 648	14 113 071	14 915 635	14 514 937	15 082 626
Net Current (Liabilities) Assets	(788 836)	(893 404)	(1 582 401)	(1 345 724)	607 147
Total Assets less Current Liabilities	13 032 812	13 219 667	13 333 234	13 169 213	15 689 773
Less Long Term Liabilities	4 863 976	5 132 084	5 836 648	5 473 131	6 479 405
Less Pension Liability under FRS 17	1 970 000*	1 300 320	1 291 680	1 512 000	1 986 480
Deferred Tax	-	-	-	461 545	1 066 000
NET ASSETS	6 198 836	6 787 263	6 204 906	6 645 627	8 289 888
Share Capital	5 249 602	5 228 056	4 870 635	4 883 539	6 106 599
Reserves	949 234	1 559 207	1 334 271	1 762 088	2 183 289
MEMBERS FUNDS	6 198 836	6 787 263	6 204 906	6 645 627	8 289 888
Membership	51 957	52 937	55 020	57 438	61 630
Average Shareholding per Member	£101.04	£98.76	£88.52	£85.02	£99.08
Trading Surplus as % of Net Sales	1.95	2.28	2.28	2.29	2.96
Members' Benefits as % of Net Sales	0.14	0.41	0.44	0.47	0.51
Fixed Asset additions as % of Net Sales	4.57	3.87	4.17	2.31	2.23
Gearing	85%	87%	117%	105%	66%
Interest cover (Net interest as % of Surplus before Interest)	190%	221%	188%	203%	410%

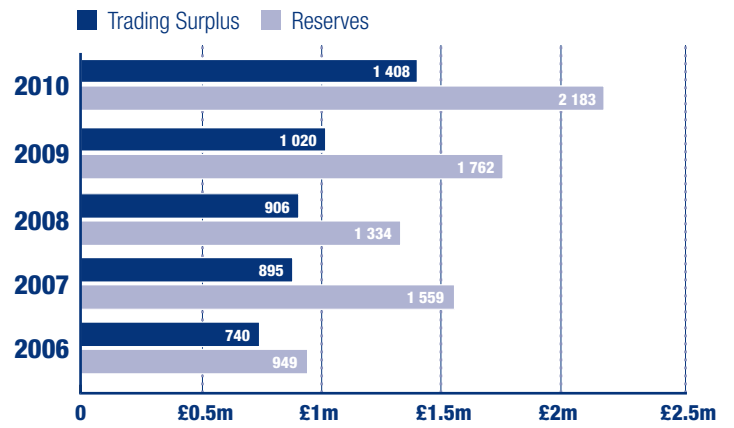
*Gross - No deferred tax adjustment at January 2006.

Five year comparative charts

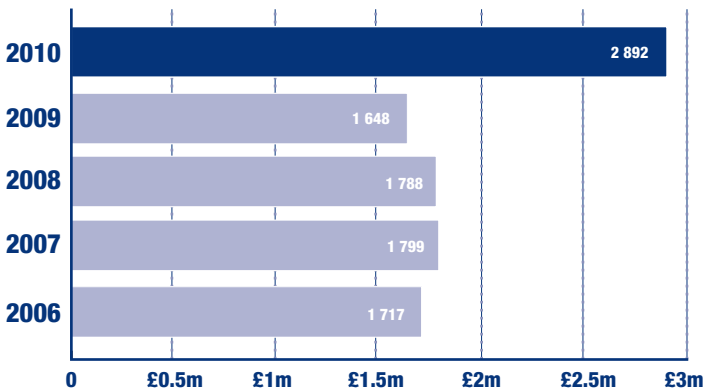
Gross Takings & Turnover £000



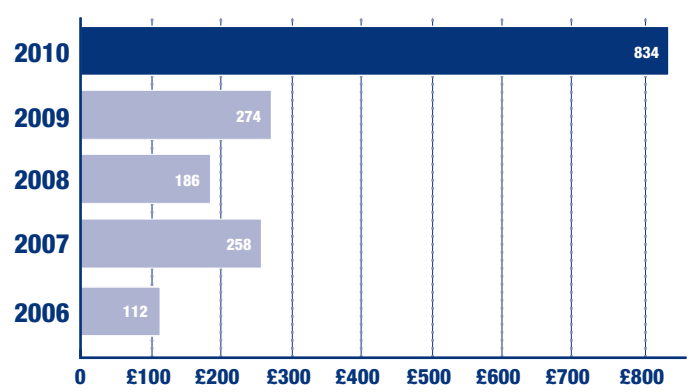
Trading Surplus & Reserves £000



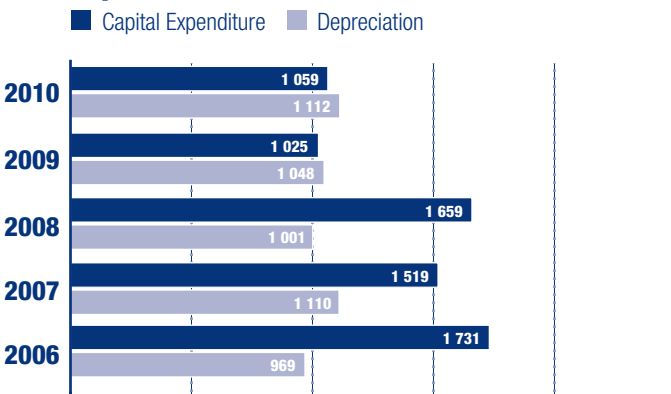
Cash Flow from Operating Activity £000



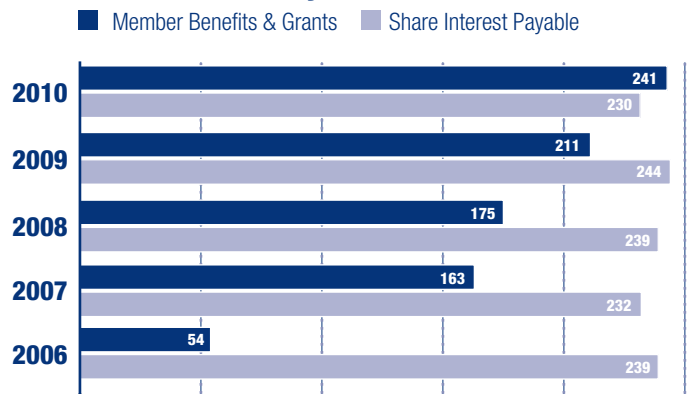
Operating Profit £000 (Trading Surplus less Interest)



Capital Expenditure & Depreciation £000



Member Benefits & Grants / Share Interest Payable £000



Directors' Report

To The Members

Your Board of Directors has pleasure in reporting to you on your Society's performance for the year which ended on 30th January 2010.

Economic Background

In reporting to members last year, your Board made the following statements.

"It would be unrealistic and probably foolish to anticipate an economic recovery of any substance in 2009."

"Your Directors believe that the Society's strategies are appropriate for the prevailing circumstances and capable of sustaining the progress made over recent years."

The economic situation has indeed remained challenging throughout 2009, with consumer confidence continuing to be fragile, the housing market flat and unemployment high.

That your Society is able to report record financial results is, in the opinion of your Directors, testament not only to the robust nature of the Society's trading strategies but also to the skilful execution of the strategies by the Senior Management team and colleagues in our shops.

Financial

The Society's gross takings amounted to £67,739,277, which is an increase over last year of £4,684,816 or 7.4%.

Last year was of 53 weeks duration, the increase reported above is after the 2009 figure has been restated to 52 weeks.

This is the 12th successive year that your Society has increased gross takings above inflation, a record that we are naturally proud of.

Gross takings on a "like for like" basis have increased "year on year" by 7.7%, driven by a number of outstanding performances, which are reported on later in this report.

The Society's ability to generate market leading levels of growth in a very challenging environment has enabled some very severe cost pressures to be absorbed, so much so, that cost as a proportion of the Society's income has fallen to 91.09%, whereas last year, the ratio was 92.98%.

Trading surplus for the year before exceptional costs amounted to £1,408,298. This compares to £1,020,355 for last year, which however was a period of 53 weeks.

After adjustment to make a true comparison, trading surplus has increased by £407,195 or 40.7%.

Surplus before distributions, i.e. the profit after Bank interest and other finance charges but excluding the effect of exceptional costs or income, has increased by £476,255 or 108%.

In arriving at the Food Gross Profit a provision has been made in respect of the clawback by the Co-operative Group of the Somerfield integration costs. Along with other co-operative societies the Society will contribute to these costs over the next two years but the full extent of the benefit from improved buying terms will be experienced by the Society for many years ahead.

It is your Directors' considered opinion that the financial results are outstanding and reflect great credit on our Chief Executive, his Senior Management team, and the dedicated workforce in our branches.

Food

The Society's Food business has had an outstanding year aided by continuing investment in our brand "The Co-operative".

During the course of this year, a further twelve shops have been refurbished and re-branded, which leaves only three shops from our core estate still to be re-branded and these will be completed in the early part of 2010.

Investment in new Food shops has also continued with the acquisition of a Spar in Masefield Road, Braintree and a Spar in Calcutta Road, Tilbury in the year under review and an independent shop in South Ockendon since year end, all of which will be re-branded "The Co-operative". In addition, negotiations are well advanced for a further five Food outlets and your Directors would hope to be in a position to report full details to members at the Society's Annual General Meeting, which this year will be held on 10th May.

In the grocery market, one of the key measures of performance used by all our competitors is the rate of "like for like" growth in core food categories. Your Society has, in the past year, achieved "like for like" growth of 10%. Your Directors are not aware of any Food business that has achieved a better figure.

In the Interim Report to Members, reference was made to the encouraging progress made by the Food business in terms of increasing the sales of Fairtrade, Own Label and local products. Your Directors are extremely pleased to be able to report to members that the earlier progress has been sustained throughout the whole year, so much so that the following full year rates of growth have been achieved.

% increase by value ("like for like")

Fairtrade	39.7
Own Label	21.3
Local Food	13.0

Members will be aware that the Food business is the "bedrock" of the Society's profitability and indeed, our principal business activity.

The outstanding turnover figures achieved during the financial year have resulted in the profitability of our Food business increasing "year on year" by a remarkable 21%, which in the opinion of your Directors is a further justification for the investment in infrastructure and Brand that has been made in recent years.

This investment will continue in 2010 as we bring Co-operative Food retailing back to areas of Essex that have lacked a Co-operative presence for too long.

Departmental Stores

Market conditions have been extremely challenging for all operators of Departmental Stores throughout 2009 and your Society is no exception.

On a national basis, the ladies' fashion business has continued to struggle with a number of well known brands going into administration. In addition, consumers have shown a marked reluctance to spend on big ticket items such as Furniture and Carpets.

Notwithstanding the challenges faced, your Society has continued to invest in both 'quadrant stores', and during the past year, a number of new departments and brands have been introduced and further initiatives are planned for early in 2010.

The Society is a member of a buying group known as Associated Independent Stores (AIS). Their support and expertise in procuring product and supporting our retailing efforts have been important factors in the continuing development of our Departmental Store business.

In our Interim Report, your Directors made reference to the fact that for most Co-operatives, Departmental Store trading was completely unviable, so much so that the majority of Societies have withdrawn from this form of trading.

Against this background, your Directors are very pleased to be able to report to members that the Society's business has performed very creditably.

Directors' Report (continued)

Outstanding increases in turnover have been achieved in the following departments:

Carpets **11.8%**

Furniture **13.9%**

Menswear **11.0%**

Housewares **16.0%**

Restaurants **19.9%**

The above achievements have enabled the Society's Departmental Stores to improve the contribution made towards the Society's overall profitability.

Travel

At the interim stage, i.e. week 28, holiday bookings on a "like for like" basis had fallen "year on year" by 10.5%, a clear indication of the adverse impact of the recession (upon this area of the Society's business).

Your Directors are extremely proud to be able to report to members that the second half of the year has seen a recovery, so much so, that bookings for the last 24 weeks of the year have, on a "like for like" basis, increased by 28.2%.

This recovery has enabled the Society's Travel business to meet the requirements of the 2009/10 business plan.

Funerals

The Society's Funeral business has had an outstanding year building on the strong growth in numbers and revenue reported to members in the Interim Report.

Gross takings for the year amounted to £1,324,791, which on a comparable basis is an increase of £125,157 or 10.4%.

The number of funerals conducted rose by 6.5%, which in a static market represents a material improvement in our market share.

Sales of Funeral Plans equated to 23.5% of funerals conducted, which is a new record for the Society.

Your Directors are pleased to inform members that the Funeral business out-performed the requirements of the 2009/10 business plan by a comfortable margin.

Funding and Interest

A combination of strong cash flow and lower interest rates has resulted in a reduction in the Society's level of debt and also in the amount of interest that we have had to pay on our borrowings.

Net indebtedness at 30th January 2010 amounted to £5,504,804; at January 2009 it was £6,976,905, which is a reduction of £1,472,101 or 21%.

Interest charged on the Society's borrowings for the year ended 30th January 2010 amounted to £343,788, whereas in the year to January 2009, the charge adjusted for 52 weeks amounted to £492,626, a reduction of £148,838 or 30.2%.

The combination of lower borrowings and lower interest rates has had a very beneficial impact on the Society's Revenue Account, so much so that net profit, i.e. profit before exceptional items and distributions, has improved "year on year" by £476,255 or 108%.

Members will have noted from earlier statements in this report that the Society is determined to maintain the resurgence of recent years by continuing to invest in our retail estate. We are particularly committed to increasing the number of Food outlets we operate.

The Society has a new strategic plan which, over the course of the next three years, envisages significant investment. Improving cash flows will underpin this investment, supplemented by some increase in Bank borrowing.

Net debt or gearing as a ratio of members' funds or as a ratio to EBITDA (i.e. cash earnings), will remain well within the Society's covenant requirements.

Employees' Superannuation Fund

A triennial valuation of the Employees' Superannuation Fund was undertaken as at January 2009.

At 30th January 2010, the Society has a deficit on an FRS 17 basis of £1,986,000 after offsetting deferred tax.

The Society has, in conjunction with the trustees of the Fund, put in place a recovery plan; financial payments are being made by the Society in accordance with the requirements of the plan.

The Directors are optimistic that a combination of improving investment returns and the Society's ongoing financial support will see an eradication of the deficit over the coming years.

It is also going to be very important that the "Employers' Covenant" is continually strengthened. The Directors believe that this will be the case as continued improvement in the Society's profitability is anticipated.

Distributions

Members will be aware that for many people who rely on interest from savings to supplement their incomes, the fall in interest rates has not been helpful.

The Society has maintained its rates of interest, together with a loyalty bonus, throughout the year and all the indications are that this has been much appreciated by our members.

New rates of interest and loyalty bonus will apply from 31st January 2010; details are available via the Society's website www.chelmsfordstar.coop, in store or by contacting the Investment department.

For the current year, your Directors propose to recommend to members a payment of a share of the profits at a rate of £6.25 for each 1,000 points earned; this reflects the Society's excellent trading results and is an effective increase of 11.6%. Directors hope very much that this is a help to members in these difficult times.

Board of Directors

It is the Directors' policy to choose the President and Vice President each year following the Annual General Meeting.

Following last year's Annual General Meeting, Maurice Austin was elected to serve as President and Jan Martin as Vice President. The Directors would like to place on record their appreciation to Maurice and Jan for the efforts in guiding the Society through what has been a challenging year.

The past year has again been demanding for Directors in terms of workload. In addition to the Board meetings, Directors have also attended meetings of the Audit, Remuneration, Succession Planning, Membership and Pension Trustee Committees, in addition to continuing their professional development via a number of training courses.

It is hoped that members agree that the Society has had a degree of success in recent years and that a key component in that success has been the quality of our strategic planning process.

During the past year, the Directors, in conjunction with the Chief Executive and the Senior Management team, have spent time finalising a new three year strategic plan, which sets a number of key objectives and key goals, and takes the Society through to January 2013.

At the time of writing this report, a detailed timetable for implementation has not been finalised; a full presentation will be given to members at the Annual General Meeting.

What is possible, however, is to give members an insight into some of the key objectives, which are to:

- i. Grow the Food business by increasing the number of shops by approximately 25%.
- ii. Embrace the Co-operative Brand in other segments of our business.

Directors' Report (continued)

- iii. Double trading profit within the three years of plan.
- iv. Have a flexible members' points offer, giving greater rewards for Fairtrade and other chosen products.
- v. Re-vamp completely the website, which will include a number of membership features.
- vi. Create a membership promotional programme and exclusive member shopping events.
- vii. Offer strong support for other Co-operatives and for Co-operative Fortnight.
- viii. Re-double our efforts to further reduce our carbon footprint, the usage of plastic carrier bags and to increase our recycling capability.
- ix. Remove all products from our business which have been tested on animals.
- x. Introduce an upgraded system of appraisal for all employees.

In our Interim Report to Members, mention was made of our support for St Clere's, Stanford-le-Hope, which became a Co-operative Trust School on 1st April 2009. It is with great pleasure that we now report that one of our Directors, Chris Fegan, has been appointed Chair of the School's Trustees.

Also during the course of this year, Chris Fegan was co-opted onto the Board of the Co-operative Press; the Society is very pleased to be able to support Chris in this important role.

Members will be fully aware of the Directors' support for Fairtrade, both in Chelmsford and the Essex area. Towards the end of the financial year, the Directors became aware of a new Fairtrade Co-operative based in Holmfirth, West Yorkshire called the Fairtraders Co-operative. This Society has made an investment in share capital and would hope to be able to further support this exciting venture via the procurement of merchandise for re-sale in the Society's shops. Individual Co-operators can invest in this new Society and details will be provided on request or can be found at www.thefairtraderscooperative.co.uk.

Membership and the Community

Michael Whalley has continued to chair the Membership Committee throughout the year. Keith Grinsted was appointed Member Relations Officer on a full-time basis following the retirement of Rod Lemka.

The appointment coincided with the Committee undertaking a review of its strategic plan. This led to four objectives being identified as priorities: the integration of Starcard into the national membership scheme, the recruitment of new members and encouragement of existing members to make more use of their membership, greater use of the Community Card and finally strengthening our links with young people.

The investment in a full-time Officer has enabled impressive progress to be made on these priorities, as described in the following summary. During the course of the year, the national membership scheme has been adopted with the replacement of Starcard by the national membership card displaying the Society's name. This underlines the Society's commitment to the resurgent Co-operative brand.

A significant number of new members have been recruited and the usage of membership card has improved substantially, contributing to the Society's improved financial performance as well as sharing more with members.

Community Card is of course our principal means of assisting community groups. A well attended and innovative tenth anniversary event was held in the summer, helping to raise the profile of the card and to increase subsequent usage. New groups continue to be attracted, including a potentially significant member in Essex County Cricket Club.

In addition to the quizzes and members' coffee clubs in both "quadrants", the Society has expanded its activities within the community. For example, in collaboration with the Diocese of Chelmsford, we supported the Fire Evangelist initiative, whose aim is to ensure that as many homes as possible have effective fire alarms. These are supplied free of charge. The service has been very well received by both members and the general public.

As well as the significant role the Society is playing at St Clere's, the first Co-operative trust school in Essex, productive links have been established with schools in Braintree and Chelmsford, raising awareness of the co-operative business model and issues such as Fairtrade.

The Members' Council has met regularly throughout the year with its members making a valuable contribution to membership activity. Barry Fillery, a member of our Members' Council, resigned during the year on leaving the area, and the Directors wish to place on record their appreciation for Barry's service on the Council. David Edwards, the runner-up in last April's elections, was co-opted to fill the vacancy. Tracey Shakesby's position as full-time assistant to the Members' Relations Officer has been made permanent.

Donation

The Directors were deeply saddened by the events in Haiti and the subsequent suffering of an already impoverished population.

The Directors have, on the Society's behalf, donated £5,000 to the Appeal fund, a gesture we are sure is fully supported by our members. The donation has been routed via Co-operatives UK and will form part of a co-ordinated effort from Co-operatives all over the world.

Employees

In the opinion of your Directors, the fact that the Society has enjoyed another year of outstanding financial progress is due in no small part to the efforts of our dedicated employees.

In the Interim Report to Members, reference was made to a bonus for all General Assistants who had at least one year's service. The bonus was paid, as promised, just before Christmas, the cost of which has been charged against the Society's profits.

The Directors would hope to be able to pay bonuses in future years but this cannot be guaranteed; it will depend on the Society continuing to improve profitability.

The Employee Awards known as "Search for a Star" were held last May and reported on in detail in the Interim Report. The Awards are greatly valued by employees and Directors have agreed to hold them again in 2010.

Whilst speaking of Awards, the Directors are very pleased to be able to report to members that Trisha Suckling of our Challis Lane (Braintree) Food shop won first prize in 'The co-operative' (multiple category) in the Convenience Store, 'Sales Assistant of the Year Awards 2009'. Congratulations are extended to Trisha.

The Year Ahead

As we enter 2010, it is your Directors' opinion that economic conditions will remain extremely challenging for the foreseeable future.

Consumer confidence is still fragile and unemployment worryingly high, this coupled with a clear trend by consumers to curtail spending and pay off mortgage debt does not bode well for retailers.

It is also clear that whatever Government is in office, public spending will have to be curtailed and taxation will rise, again depressing disposable incomes.

The Society's business plan for 2010 and the associated strategies recognise the challenges faced. We believe our business model is robust and that this coupled with the support of our members and a resurgent Co-operative Brand, will enable us to continue our impressive progress of recent years.

Approved by the Board of Directors and signed on behalf of the Board.



Roger Myddelton - Secretary

25 March 2010

Remuneration Report

Year Ended 30th January 2010 To The Members

The Remuneration Committee is a sub-committee of the Board of Directors, and reflects best practice in corporate governance in matters of Senior Executive remuneration.

The Committee consists of the President and Vice President and two other members - R Simons and P Dodd, and is chaired by the President. The Committee has met on five occasions during the past year.

The Society's Secretary, Roger Myddelton has acted as Secretary to the Committee throughout the year. The Society's Chief Executive and Deputy Chief Executive have also attended some meetings during the year.

The underlying principle that no Executive should be present for any part of a meeting when their own terms and conditions are being discussed has been fully observed.

All meetings of the Committee held throughout the year have been minuted. The Minutes have been circulated to all members of the Board of Directors, thereby ensuring that everyone has been kept fully informed.

The Society's policy on remuneration of the Senior Executives has been reviewed during the year; no changes were thought to be necessary.

The policy remains as follows:

Board Policy - Executive Remuneration

i. The Society aims to be a fair and reasonable employer by remunerating its Senior Executives in line with the market rates for organisations of similar size and complexity, and also having due regard to other matters such as the cost of living in the South East.

ii. It is also the Society's policy to both retain and attract Senior Executives of the right calibre, as the Society seeks to build on its progress of recent years.

External Advice

The Committee's principal external advisor is the Co-operative Employers Association; their services have been used in the past year.

The Remuneration Committee is also authorised to seek further independent external advice whenever it deems it necessary.

No external advice other than that obtained from the Co-operative Employers Association has been sought in the past year.

Bonus and Incentive Payments

The Remuneration Committee has given this matter serious consideration and has reached the following conclusions in respect of the Senior Executives:

- i. The principal of having a bonus or incentive scheme in place is fully supported.
- ii. The scheme should take account of both Co-operative and commercial achievements.
- iii. The scheme must be financially sustainable and financially justifiable.

During the course of the past year, the Remuneration Committee has commissioned and received from the Co-operative Employers Association, a report on Executive Incentive schemes, together with a recommendation in respect of the Society's Senior Executives.

- iv. It is the intention of the Remuneration Committee to recommend to the Society's Board of Directors that an Executive Incentive scheme be introduced in respect of the Society's Senior Executives.

Details of payments made to the Senior Executives in the past year are reported on below.

Service Contracts

There has been no change in the service contract arrangements of any of our Senior Executives in the past year.

No Executive has a contract in excess of six months.

Pension Benefits

There has been no change to the pension arrangements of any of our Senior Executives in the past year.

Senior Executive Emoluments

The remuneration of the Chief Executive, Deputy Chief Executive and Head of Finance/Secretary are determined by the Remuneration Committee upon receipt of external advice.

All three Senior Executives were remunerated in the past year on the basis of an independent scale known as the HAY scale at the market median level.

Directors' Emoluments

At the Annual General Meeting of members held in April 2007, it was agreed that fees and expenses paid to Directors, Committee and Council members, together with Trustees of the Pension Fund, would be reviewed on a three yearly basis.

The next review will therefore, take place at the Annual General Meeting to be held on 10th May 2010, when formal proposals will be submitted for the members' consideration.

Annual fees and expenses, which have been applicable since April 2009 and the proposed new rates operable from the date of the AGM, are detailed below.

	Current (£)	Proposed (£)
President	4,424	4,500
Vice President	3,123	3,240
Directors	1,822	1,920

In addition to basic fees, Directors' and members' representatives are also paid for service on sub-committees of the Board as detailed below.

	Current (£)	Proposed (£)
Chair	781	810
Member	521	570

Directors' and members' representatives are also reimbursed expenses necessarily and reasonably incurred whilst on Society business.

Such expenses are approved by the Board and recorded in the Minutes accordingly.

Senior Executives			
	A Gudgeon Chief Executive Officer	B Wood Deputy Chief Executive Officer	R Myddelton Head of Finance/ Secretary
Date of Appointment	07.04.98	01.02.04	28.01.02
	£000	£000	£000
Basic Salary	141	107	98
Bonus	-	-	-
Benefits in Kind	19	9	10
Employers' Pension Contributions (at current service cost)	11	8	7
Total Emoluments	171	124	115

Details of the total remuneration of the Management Executive are given in the notes to the Financial Statements.

Remuneration Report (continued)

Expenses

The scale of expense reimbursement paid in the past year is detailed below.

Daily Allowance of £21 per day

Recommendation - to increase to £22 with the introduction of a half-day allowance of £11

Use of own car 40 pence per mile plus 5 pence per mile per passenger up to a maximum of four passengers.

Recommendation - no change to the mileage rate but an increase per passenger to 6p per mile to encourage car sharing

Daily delegate rate (no overnight stay) - £30 per day

Recommendation - to increase to £31 per day

Overnight Allowance
(i.e. Bed, breakfast, evening meal)
up to £90 per night

Recommendation - to increase maximum permitted to £94 per night

2nd Class Rail Travel - As incurred.

The total emoluments of Directors who have served in the past financial year are detailed below:

	£
M Austin - President from May 2009	5,791
J Martin - Vice President	4,947
A K Bearman	2,473
P Dodd	2,734
P Green	2,278
C Fegan	3,645
L Gardner	3,450
A Price	2,213
R Simons	3,776
M Whalley	3,124
T Haggerty - President until May 2009	1,627
Total	36,058

The President also receives a telephone allowance of £200 per annum.

The total fees paid in the year to members' representatives elected or appointed to serve on the Membership Committee and Members' Council amounted to £1,433

Employees serving as Trustees of the Employees' Superannuation Fund were paid fees totalling £2,084 in the past year.

BY ORDER OF THE BOARD



M P Austin -
President and Chair of the Remuneration Committee

Air Travel - The Board has determined that travel by air will only be authorised in exceptional circumstances, having regard to the Society's policy on the environment.

Directors' Attendance Record from February 2009 to January 2010

Director	BOARD MEETINGS		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	Total Meetings	Attendance	Total Meetings	Attendance	Total Meetings	Attendance
M Austin - Vice President until May 2009, President from May 2009	12	12	1	1	5	5
J Martin - Vice President from May 2009	12	7	3	2	5	4
A K Bearman - (Audit as observer)	12	11	2	2	-	-
P Dodd	12	11	-	-	4	4
C Fegan - Chair of Succession Planning	12	11	-	-	-	-
L Gardner - Chair of Audit	12	9	3	2	-	-
P Green	9	9	-	-	-	-
T Haggerty - President until May 2009	3	2	1	1	1	1
A Price - (Audit as observer)	12	9	2	1	-	-
R Simons	12	10	2	2	5	3
M Whalley - Chair of Membership Committee	12	11	-	-	-	-

Director	SUCCESSION PLANNING SUB-COMMITTEE		MEMBERSHIP COMMITTEE		TRUSTEES - SUPERANNUATION FUND	
	Total Meetings	Attendance	Total Meetings	Attendance	Total Meetings	Attendance
M Austin - Vice President until May 2009, President from May 2009	1	1	-	-	4	4
J Martin - Vice President from May 2009	2	2	-	-	4	4
A K Bearman	2	2	2	2	-	-
P Dodd	-	-	8	7	-	-
C Fegan - Chair of Succession Planning	2	2	8	7	4	1
L Gardner - Chair of Audit	2	2	-	-	3	2
P Green	1	1	8	8	-	-
T Haggerty - President until May 2009	-	-	-	-	1	1
A Price	1	0	-	-	-	-
R Simons	2	1	-	-	4	1
M Whalley - Chair of Membership Committee	2	2	8	8	-	-

Remuneration Report (continued)

Other Elected Members' Attendance Record from February 2009 to January 2010

Member	MEMBERSHIP COMMITTEE		MEMBERS' COUNCIL		TRUSTEES - SUPERANNUATION FUND	
	Total Meetings	Attendance	Total Meetings	Attendance	Total Meetings	Attendance
L Bowser	6	5	1	1	-	-
H Corby	8	8	-	-	-	-
L Hope	2	2	-	-	-	-
S Cross	-	-	3	2	-	-
D Edwards	-	-	1	1	-	-
B Fillery	-	-	3	3	-	-
P Green	-	-	1	1	-	-
A Gunn	-	-	4	4	-	-
R Jones	-	-	3	3	-	-
P Joughin	-	-	4	2	-	-
F Mockett	-	-	4	4	-	-
J Saunders - Chair of Members' Council	3	3	4	3	-	-
M Wallace	-	-	4	4	-	-
F Golden	-	-	-	-	4	4
I Paterson	-	-	-	-	4	4
A Price	-	-	-	-	4	4
A Reynolds	-	-	-	-	4	4

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The directors are required by Industrial and Provident Society law to ensure that the financial statements give a true and fair view of the state of affairs of the Group at the end of each financial period, and of the profit and loss for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- 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 with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Industrial and Provident

Societies Acts. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. After making all appropriate enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements in accordance with section D1.1 of the Co-operatives UK Limited's Corporate Governance Code of Best Practice Volume 1.

Board Certification

The financial statements on pages 11 to 25 are hereby signed on behalf of the Board of Directors pursuant to the Friendly and Industrial and Provident Societies Act 1968.



M P Austin - President



Mrs J E Martin - Vice President



A W Gudgeon - Chief Executive Officer



R Myddelton - Secretary

25 March 2010

Directors' Statement on Corporate Governance

Internal Control

The Group operates under the Co-operatives^{UK} Corporate Governance Code of Best Practice (the code) with the Board of Directors having the ultimate responsibility for the system of internal control and for reviewing its effectiveness. A revised code was issued in May 2005 which requires the Board to "comply or explain".

Accepting the responsibilities imposed by the code, the board has established a sub committee - the Audit Committee - to receive reports - financial, audit, management and corporate - in order to properly discharge its duties in monitoring and assessing risk to the business, both internally and externally, and to meet with the auditors and such other external advisers as deemed necessary. During 2006 the Audit Committee appointed Mutual One to provide an independent Internal Audit service in furtherance of its responsibility and promoting openness and transparency. The Audit Committee chair is not the society president.

The Board has also established a Remuneration Committee whose responsibility is to review Senior Management remuneration and the Board's own fees after seeking external advice and the committee's latest annual report appears on pages 7-9.

The Board has reviewed and reported on internal controls in accordance with the code. During 2006 the Board embraced compliance with the requirements of the revised code, in order to move the society's governance forward in line with best practice. Rule Changes adopted by members in October 2006 embraced, amongst other provisions:

- abolition of the age rule for member representation;
- the implementation of maximum terms of office for directors;
- less stringent initial qualification criteria for the 'feeder' committees (Members' Council and Membership Committee) to encourage progressively greater involvement by members and permitting candidates to be better prepared and more knowledgeable when seeking election to the Board;

creating an environment that encourages

- more democratically elected members' representatives (20 elective opportunities with at least 8 vacancies each year);
- greater variety in member involvement activity;

and thereby providing for the Board of Directors to be 'refreshed' with competent nominees more frequently.

The process used by the Board to satisfy themselves of the effectiveness of the system of internal control includes the following:

- regular receipt and examination of comprehensive financial and trading information and statistics;
- reviewing specific matters reserved for directors' consideration and decision;
- receiving reports of banking relationships, membership movements and Key Performance Indicators regularly;
- reviewing sealing, audit, remuneration and membership committee reports.

The group's systems are designed to manage and minimise risks to the business and can provide only reasonable but not absolute assurance against material mis-statement or loss.

Control environment

The group is committed to the highest standards of business conduct and seeks to maintain these standards throughout the Group with the Chief Executive Officer being responsible for the management of the Group within the policies laid down by, and under the direction of, the Board of Directors. The Group has in place an appropriate management and organisational structure with defined lines of responsibility and delegation of authority for planning, controlling and monitoring the business operations.

Risk monitoring and management

The Audit Committee and society management have responsibility for identifying, evaluating, reporting, monitoring and taking necessary action to mitigate internal and external risks to the business, from whatever source, on a continuing basis. The Board has adopted a risk management policy and framework that requires regular risk assessments with a focus on areas of greatest risk. Reports are made to the Audit Committee on significant risks which could affect the group.

Information and Communication

The group undertakes periodic strategic reviews including the evaluation of business alternatives. Each sector of operations prepares annual budgets and performance against budget is actively monitored at sector management level, supplemented by forecasts. Results and forecasts are consolidated for presentation to the board on a regular basis. Through these mechanisms, Group performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Control procedures

There are control procedures and authorisation levels in place designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties, management review and internal and external audit to the extent necessary to arrive at their respective audit opinions.

Capital projects and asset acquisitions and disposals require board approval and the board receives regular reports on capital asset movements. Commitments requiring the use of the society's seal are authorised by members of the board acting as a Sealing Committee.

Monitoring and corrective action

There are clear and consistent procedures in place for monitoring the systems of internal financial control, including the independent Internal Auditor who reports directly to the Audit Committee on their effectiveness. Additionally the society has a 'whistle blowing policy' to reinforce and complement control procedures. During the year the board has found no weaknesses in the systems of internal control of sufficient significance to require disclosure.

Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items considered material in relation to the financial statements, except as noted below.

Basis of Accounting

The financial statements are prepared on a group basis in compliance with all current accounting standards using the historic cost accounting convention.

Accounting Dates

The financial statements have been made up to the last Saturday in the year ended 31 January. The current period is the 52 weeks ended 30 January 2010 with comparative figures for 53 weeks ended 31 January 2009.

Basis of Consolidation

The Group financial statements consolidate the accounts of the society and its subsidiary, Star Holdings Chelmsford Limited a subsidiary society engaged in property management.

Gross Takings and Turnover

Gross Takings include cash sales, goods and services sold on credit, property rentals, television rental income, agency commission and concessionaire commission, inclusive of sales related taxes such as VAT. In order to comply with FRS 5, where it is deemed that the society is acting as agent, gross agency turnover is not recognised and only commission received under the agency agreement is recognised as Turnover. This applies to Bill payments in food, travel agency business and concessions income in Department Stores.

Stocks

Stocks are valued at the lower of cost and net realisable value after making allowance for defective or obsolete stock and slow moving lines.

Dividends receivable

Under the provisions of FRS 21, dividends receivable are only accounted for when declared by the paying society.

Investment Income

Interest and dividends receivable are accounted for on the accruals basis.

Taxation

Corporation Tax - current provision has been made for the estimated liability on accounts to date, at the appropriate rate;

Deferred Tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Assets Leased to the Group

Assets subject to finance leases are included in the Balance Sheet at cost value less depreciation charged on the group's normal accounting policy. Finance charges included in lease payments are charged against profit over the period of the lease based on the balance of the outstanding commitment. The outstanding commitment is analysed between current liability (being payable within one year) and long term liabilities (being payable after one year). Rentals due under operating leases are charged to the Revenue Account in the year in which the cost accrues.

Funeral plans

Liabilities under the funeral plan are based on the total commitment at the Balance Sheet date. Based on the society's experience of funerals carried out under the plan, liability has been apportioned between current liability for plans expected to be redeemed within one year and long term liability for the remainder. Since January 2002 all monies received for new funeral plans have been invested in individual whole life insurance policies with Co-operative Insurance Society Ltd.

Members' Benefits - 'A Share of the Profits'

Amounts unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the society. Unpaid benefits that do not meet these criteria are disclosed in the notes to the financial statements. Amounts more than two years old remaining unspent are excluded. Liability is provided on all eligible turnover, irrespective of whether or not cash has been received.

At the Annual General Meeting on 10 May 2010, the directors' intend to propose a share of the profits of £75,000 in respect of the year ended 30 January 2010. In accordance with FRS 21 this amount has not been recognised as a liability in these financial statements.

Post retirement benefits

The Group operates a contributory pension scheme providing benefits based on final pensionable pay, up to 27 January 2007, and Career Average Revalued Earnings from 28 January 2007, open to the majority of employees. Contributions are determined by a qualified actuary, based on actuarial valuations of the fund which are generally carried out every three years. The assets of the scheme are held separately from those of the Group and invested externally through the scheme trustees. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Deferred tax is recognised on the pension scheme deficit. It is allocated to the revenue account and the statement of total recognised gains and losses based on the allocation of expenses or actuarial gains and losses attributed to the movement.

Repairs

Repair expenditure is charged against profit in the year in which the cost is incurred.

Goodwill

Purchased Goodwill is capitalised and written off over its useful economic life. Useful economic life ranges from 1 to 20 years.

Tangible Fixed Assets and Depreciation

Cost includes directly attributable finance costs.

No depreciation is provided on Freehold Land.

Other tangible fixed assets are depreciated by equal annual instalments over their estimated useful lives at the following minimum rates:

Freehold Buildings	2 % per annum
Leasehold property	over the unexpired portion of the lease
Fixtures, Fittings and Computer Equipment	10 % per annum
Transport vehicles	25 % per annum
Funeral vehicles	20% per annum

These rates have been reviewed in the light of recent investment. They are used to write off the cost or valuation of the assets over their expected lives.

Capitalisation of Interest

Interest relating to financing of major long leasehold or freehold developments (net of tax) is capitalised up to the date of completion of the project.

Group Revenue Account

Year ended 30 January 2010

		2010 52 weeks		2009 53 weeks	
	Note	£	£	£	£
GROSS TAKINGS			67 739 277		64 267 052
less Agency & Concession Turnover excluded under the provisions of FRS 5	1(a)		16 769 275		16 317 844
TURNOVER			50 970 002		47 949 208
Less Value Added Tax			3 404 450		3 486 565
NET SALES	1(b)		47 565 552		44 462 643
Cost of Sales			31 739 801		29 977 017
GROSS PROFIT			15 825 751		14 485 626
Expenses	2		14 417 453		13 465 271
TRADING SURPLUS			1 408 298		1 020 355
Exceptional (Costs)/Income	3		(51 038)		351 700
Surplus before Interest			1 357 260		1 372 055
Net Interest Payable	4	343 788		502 100	
Other Finance costs	24	147 000	490 788	77 000	579 100
SURPLUS FOR YEAR BEFORE DISTRIBUTIONS			866 472		792 955
Share Interest		229 971		244 297	
Grants & Donations	6	123 999	353 970	89 000	333 297
SURPLUS FOR YEAR BEFORE PAYMENTS TO MEMBERS			512 502		459 658
'Share of the Profits' to members			40 700		57 656
SURPLUS FOR YEAR BEFORE TAXATION			471 802		402 002
Taxation Credit	7		(554 055)		(401 625)
SURPLUS FOR YEAR TO RESERVES			1 025 857		803 627

The Financial Statements are prepared on an unmodified historical cost basis, therefore a separate note of historical costs is not required.

All the activities of the group are classed as continuing.

The annexed notes form part of the financial statements.

Group Balance Sheet

**Chelmsford Star
Co-operative**
at the heart of essex

As at 30 January 2010

		2010		2009	
	Note	£	£	£	£
USE OF FUNDS					
FIXED ASSETS					
Intangible Assets	8		2 187 667		1 642 828
Tangible Assets	9		12 832 660		12 810 810
Investments	10		62 299		61 299
			15 082 626		14 514 937
CURRENT ASSETS					
Stocks		2 567 310		2 473 294	
Debtors & Prepayments	11	2 207 791		2 414 868	
Investments	10	1 010 284		6 325	
Bank		582 926		26 004	
Cash in-hand		327 273		301 091	
		6 695 584		5 221 582	
CURRENT LIABILITIES					
Amounts falling due within one year:					
Creditors - Member Rewards		146 251		151 901	
- Trade	12	3 970 207		3 608 109	
- Sundry	12	937 942		879 146	
Loans - Bank overdraft	13	-		1 103 075	
- Banks	13	564 722		410 156	
- Other	13	469 315		414 919	
		6 088 437		6 567 306	
NET CURRENT ASSETS/(LIABILITIES)			607 147		(1 345 724)
TOTAL ASSETS LESS CURRENT LIABILITIES			15 689 773		13 169 213
LONG TERM LIABILITIES					
Amounts falling due after more than one year:					
Creditors - Funeral plans	12	88 155		90 956	
Loans - Bank	13	5 431 750		4 460 490	
- Other	13	959 500	(6 479 405)	921 685	(5 473 131)
Provisions for liabilities and charges	14		1 066 000		461 545
NET ASSETS EXCLUDING PENSION LIABILITY			10 276 368		8 157 627
Net Pension Liability	24		1 986 480		1 512 000
NET ASSETS			8 289 888		6 645 627
FINANCED BY:					
SHARE CAPITAL	15	5 896 305		4 677 162	
Current Interest Due	15	210 294	6 106 599	206 377	4 883 539
RESERVES					
General Reserve	16	1 806 600		1 384 823	
Non-Distributable Reserve	16	376 689	2 183 289	377 265	1 762 088
MEMBERS' FUNDS			8 289 888		6 645 627

The annexed notes form part of the financial statements.

Group Cashflow Statement

Year ended 30 January 2010

	Note	2010 52 weeks £	2009 53 weeks £
NET CASH INFLOW (OUTFLOW) OPERATING ACTIVITIES	17	2 892 232	1 647 562
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	18	(528 437)	(707 421)
TAXATION Corporation Tax (Paid)/Refunded		-	-
CAPITAL EXPENDITURE, DISPOSALS AND FINANCIAL INVESTMENT	19	(1 143 658)	255 534
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES & FINANCING		1 220 137	1 195 675
MANAGEMENT OF LIQUID RESOURCES Net Cash (added to) withdrawn from Investments		(1 003 959)	5 476
FINANCING	20	1 470 001	(1 199 146)
INCREASE IN CASH		1 686 179	2 005
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT	21		
		£	£
Increase in Cash		1 686 179	2 005
Cash (inflow)/outflow from debt and finance leasing		(631 349)	855 442
Cash outflow/(inflow) from liquid resources		1 003 959	(5 476)
Change in Net Debt from cashflows		2 058 789	851 971
New Finance Leases		(586 688)	(550 958)
MOVEMENT IN NET DEBT		1 472 101	301 013
NET DEBT TO BEGIN YEAR		(6 976 905)	(7 277 918)
NET DEBT TO END YEAR		(5 504 804)	(6 976 905)

Group Statement of Total Recognised Gains & Losses (STRGL)

Year ended 30 January 2010

	Note	2010 52 weeks £	2009 53 weeks £
Surplus for Year after taxation		1 025 857	803 627
Actuarial Loss on pension scheme	24	(839 000)	(520 000)
Movement in deferred tax relating to pension scheme	7	234 920	145 600
Total gains relating to the financial year		421 777	429 227
Prior year adjustment		-	502 320
Total gains recognised since last Annual Report		421 777	931 547

The annexed notes form part of the financial statements.

Notes to the Financial Statements

**Chelmsford Star
Co-operative**
at the heart of essex

Note 1(a) Gross Takings Adjustment

As stated in the Statement of Accounting Policies, the Group has adopted the FRS 5 application note. This application excludes the takings shown in note 1(a) from the Turnover adopted in note 1(b).

	2010	2009
	52 weeks	53 weeks
	£	£
Bill payments accepted in Food stores	10 618 080	9 903 852
Concession Takings including VAT (Non Food)	4 053 785	4 263 803
Agency turnover less commission (Travel)	2 097 410	2 150 189
	<u>16 769 275</u>	<u>16 317 844</u>

Note 1(b) Net Sales

	£	£
Food	51 236 687	47 831 451
<i>less</i> Bill Payments	10 618 080	9 903 852
	<u>40 618 607</u>	<u>37 927 599</u>
Department Stores	7 995 346	7 490 413
<i>less</i> Concession Sales	3 408 607	3 568 087
	<u>4 586 739</u>	<u>3 922 326</u>
Funeral Services	1 308 133	1 203 816
Travel	2 909 255	3 284 790
<i>less</i> Sales as Agent	2 056 783	2 100 478
	<u>852 472</u>	<u>1 184 312</u>
Rental Property Income	199 601	224 590
	<u>47 565 552</u>	<u>44 462 643</u>

Note 2 Expenses

	£	£
Personnel Costs (Note 5b)	7 077 803	6 671 186
Occupancy Costs	1 529 119	1 594 356
Energy Costs	700 549	743 055
Depreciation of owned assets	781 673	771 531
Depreciation of assets held under finance leases	204 785	161 281
Amortisation of intangible fixed assets	125 161	115 010
Auditors fee: - Audit	24 716	20 000
- Non Audit	15 350	12 975
Directors' & Committee Fees (Note 5f)	39 575	38 610
Other Expenses	3 918 722	3 337 267
	<u>14 417 453</u>	<u>13 465 271</u>

Note 3 Exceptional Income

	£	£
(Accelerated depreciation)/Surplus on Sales of Assets	<u>(51 038)</u>	<u>351 700</u>

Notes to the Financial Statements

	2010 52 weeks £	2009 53 weeks £
Note 4 Net Interest Payable		
Interest Payable (per Note 13)	353 767	506 892
<i>less</i>		
Interest Receivable (per Note 10)	9 979	4 792
	<u>343 788</u>	<u>502 100</u>

Note 5 Employees

	2010 Number	2009 Number
a) The average number of employees during the year was:-		
Full-time	183	172
Part-time	467	438
	<u>650</u>	<u>610</u>

	2010 52 weeks £	2009 53 weeks £
b) The costs in respect of employees were:-		
Salaries and Wages	6 500 169	6 102 724
Social Security Costs	465 654	434 381
Pension Fund Costs - current service costs (Note 23)	111 980	134 081
	<u>7 077 803</u>	<u>6 671 186</u>

c) The number of members of the Management Executive whose remuneration during the year, including benefits and bonus, but excluding pension contributions, fell in each remuneration bracket was:-

	2010 Number	2009 Number
less than £25000 (part year & part time employments only)	-	2
£25001 - £35000	1	-
£35001 - £45000	-	2
£45001 - £55000	3	-
£55001 - £65000	1	2
£65001 - £75000	1	-
£95001 - £105000	-	1
£105001 - £115000	1	1
£115001 - £125000	1	-
£145001 - £155000	-	1
£155001 - £165000	1	-

d) The total remuneration of the Management Executive was as follows:-

	2010 52 weeks £	2009 53 weeks £
Salaries	624 592	561 825
Bonus	3 400	-
Taxable Benefits	56 990	44 960
	<u>684 982</u>	<u>606 785</u>
Pension Contributions at current service cost (prior year restated*)	36 901	46 017
	<u>721 883</u>	<u>652 802</u>

Notes to the Financial Statements

**Chelmsford Star
Co-operative**
at the heart of essex

	2010 52 weeks £	2009 53 weeks £
e) The total remuneration of the Chief Executive Officer (the highest paid employee) included in the above was as follows:-		
Salary	141 390	136 700
Bonus	-	-
Taxable Benefits	18 510	10 366
	<u>159 900</u>	<u>147 066</u>
Pension Contributions at current service cost (prior year restated*)	10 646	13 099
	<u>170 546</u>	<u>160 165</u>

*Pension costs in the year to January 2009 are restated to disclose only current service costs instead of the total employer's contribution which includes other costs.

	£	£
f) Fees paid to Directors in respect of Board duties were:-		
President including Sub-committee fees etc	7 418	7 280
Directors including Sub-committee fees etc	28 640	27 820
Directors' fees	<u>36 058</u>	<u>35 100</u>
Elected committee Members' fees	1 433	1 430
Employee Trustees	2 084	2 080
Total paid to elected representatives	<u>39 575</u>	<u>38 610</u>

Members will find more comprehensive disclosure of Directors' and Executive Remuneration in the Remuneration Committee Report.

Note 6 Grants and Donations

	2010 52 weeks £	2009 53 weeks £
Membership Committee	90 665	58 464
Co-op Party Grant	6 322	6 210
Donations, Bereavement Groups, Community Card etc	27 012	24 326
	<u>123 999</u>	<u>89 000</u>

Note 7 Taxation

Analysis of tax change for the period

	£	£
Current Tax		
Total UK Corporation tax at 28%	<u>Nil</u>	<u>Nil</u>

Deferred tax

	£	£
Origination and reversal of timing differences	(554 055)	(401 625)
Taxation on profit on ordinary activity	<u>(554 055)</u>	<u>(401 625)</u>

Tax included in the Statement of Recognised Gains and Losses - STRGL

	£	£
Deferred tax		
Origination and reversal of timing differences	(234 920)	(145 600)
Tax included in the Statement of Recognised Gains and Losses	<u>(234 920)</u>	<u>(145 600)</u>

Current tax reconciliation

	£	£
Surplus on ordinary activities before tax	471 802	402 002
Current tax at 28% (2009 28%)	132 105	113 944
Effects of:		
Expenses not deductible for tax purposes	119 382	21 929
Additional deduction for Land remediation expenditure	(548)	-
Group Relief surrendered	22 697	22 707
Depreciation for the period in excess of capital allowances	38 373	33 849
Other short term timing differences	(51 365)	(61 163)
Utilisation of tax losses and other deductions	(260 643)	(161 639)
Losses utilised against capital gains	-	30 373
Unexplained difference	(1)	-
Total current tax charge for the period (see above)	<u>-</u>	<u>-</u>

Notes to the Financial Statements

Note 8 Fixed Assets - Intangible

Goodwill	£
Cost at January 2009	2 300 210
Additions	670 000
Fully depreciated	(4 000)
	<u>2 966 210</u>
Amortisation at January 2009	657 382
Provided this year	125 161
Fully depreciated	(4 000)
	<u>778 543</u>
Net Book Value - January 2010	<u>2 187 667</u>
Net Book Value - January 2009	<u>1 642 828</u>

During the year the Society acquired Goodwill at Challis Lane and Masefield Road, Braintree and at Calcutta Road, Tilbury. There were no 'fair value' adjustments.

The amortisation policy of purchased goodwill anticipates an economic useful life of up to 20 years from date of purchase.

Note 9 Fixed Assets - Tangible Owned and Leased

	Land & Buildings	Fixtures & Fittings	Motor Vehicles	Total	
	£	£	£	£	
Cost or valuation					
Brought forward at January 2009	12 702 999	6 321 716	261 768	19 286 483	
Additions	113 238	933 665	12 443	1 059 346	
Fully Written Off Adjustment	(7 268)	(411 613)	-	(418 881)	
	<u>12 808 969</u>	<u>6 843 768</u>	<u>274 211</u>	<u>19 926 948</u>	
Depreciation					
Brought forward at January 2009	2 917 956	3 346 066	211 651	6 475 673	
Fully Written Off Adjustment	(7 268)	(411 613)	-	(418 881)	
Provided this year	Normal Accelerated	295 624 -	669 682 51 038	21 152 -	986 458 51 038
		<u>3 206 312</u>	<u>3 655 173</u>	<u>232 803</u>	<u>7 094 288</u>
Net Book Value - January 2010	<u>9 602 657</u>	<u>3 188 595</u>	<u>41 408</u>	<u>12 832 660</u>	
Net Book Value - January 2009	<u>9 785 043</u>	<u>2 975 650</u>	<u>50 117</u>	<u>12 810 810</u>	

The Net Book Value of **Land and Buildings** comprise:-

	2010	2009
	£	£
At Cost less depreciation		
Freehold	7 460 124	7 577 133
Freehold - Non Trading*	607 439	627 213
Short Leasehold	1 535 090	1 580 697
	<u>9 602 653</u>	<u>9 785 043</u>

*Assets held for use in operating leases

Freehold Property revaluation - by Taylor & Company, Chartered Surveyors

The Society's Freehold properties were revalued at 28 January 2006 at a valuation of £19,004,500.

This represented a substantial excess over book value at that time. The current volatility and uncertainty in the Commercial Property marketplace has caused acute difficulty in establishing meaningful 'current use' values. The society has therefore concluded, after carefully considering the position, that it would be misleading to declare a 'current' market valuation. The Directors are however of the opinion that a substantial excess over book value still exists, but are unable to quantify its extent.

Notes to the Financial Statements

**Chelmsford Star
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Finance Leases

The following amounts are included in Fixed Assets above and relate to assets leased under finance leases:

	Land & Buildings	Fixtures & Fittings	Motor Vehicles	Total
	£	£	£	£
Cost				
Brought forward at January 2009	499 562	1 590 655	192 983	2 283 200
Additions	35 720	552 401	-	588 121
Leases expired and disposals	-	(410 900)	(114 269)	(525 169)
	<u>535 282</u>	<u>1 732 156</u>	<u>78 714</u>	<u>2 346 152</u>
Depreciation				
Brought forward at January 2009	23 483	354 157	157 938	535 578
Provided this year	25 707	166 141	12 937	204 785
Leases expired and disposals	-	(205 450)	(114 269)	(319 719)
	<u>49 190</u>	<u>314 848</u>	<u>56 606</u>	<u>420 644</u>
Net Book Value - January 2010	<u>486 092</u>	<u>1 417 308</u>	<u>22 108</u>	<u>1 925 508</u>
Net Book Value - January 2009	476 079	1 236 498	35 045	1 747 622

Note 10 Investments

The Group Balance Sheet includes Star Holdings Chelmsford Limited a wholly owned subsidiary.

	Fixed Assets		Current Assets		Interest	
	January 2010	January 2009	January 2010	January 2009	January 2010	January 2009
	£	£	£	£	£	£
The Co-operative Group - Shares	61 270	61 270	-	-	3 942	4 378
- Loans	-	-	1 010 284	6 325	53	241
Other I & P Societies - Shares	1 029	29	-	-	-	-
	<u>62 299</u>	61 299	<u>1 010 284</u>	6 325	<u>3 995</u>	4 619
Statutory interest received					1 315	173
Interest on short term deposits					4 669	-
Total Interest Receivable per Note 4					<u>9 979</u>	4 792

Notes to the Financial Statements

Note 11 Debtors		Receivable Within One Year		Receivable After One Year		Total per Balance Sheet	
		2010	2009	2010	2009	2010	2009
		£	£	£	£	£	£
Customer Debts	- Travel	691 763	546 386			691 763	546 386
	- Funeral	182 657	205 103			182 657	205 103
	- Property	19 904	18 466			19 904	18 466
	- Others	10 496	18 932			10 496	18 932
Expenses	- Prepayments	466 175	599 620			466 175	599 620
	- Stocks	32 041	27 891			32 041	27 891
Trade Debts (Credits due)		706 446	926 159			706 446	926 159
Corporation Tax Repayable		-	-	20 709	20 709	20 709	20 709
Other Sundry Debts		77 600	51 602			77 600	51 602
		2 187 082	2 394 159	20 709	20 709	2 207 791	2 414 868

Note 12 Creditors

	Current - Falling Due Within One Year		Long Term - Falling Due After One Year	
	2010	2009	2010	2009
	£	£	£	£
Trade Creditors				
Ledgered	2 969 903	2 780 237		
Unledgered	1 000 304	827 872		
	3 970 207	3 608 109		
Sundry Creditors				
Holiday Pay	57 608	61 057		
Week in Hand Payroll	106 857	95 122		
Accrued Charges	374 700	342 728		
Sales Deposits	74 013	67 953		
VAT due to HM Revenue and Customs	80 870	63 605		
PAYE due to HM Revenue and Customs	79 609	75 639		
National Insurance due to HM Revenue and Customs	80 344	73 930		
Funeral Plans - former scheme	9 795	10 106	88 155	90 956
Other Members' Accounts	9 344	9 344		
Miscellaneous Creditors	64 802	79 662		
	937 942	879 146	88 155	90 956
TOTAL	4 908 149	4 487 255	88 155	90 956
Trade Creditor days - Number of days	27.3	26.4		

Trade Creditor Days' represents the ratio between the amounts invoiced by suppliers to the Society in the year and the amounts owing to Trade Creditors at the year end date.

Note 13 Loans

	Falling Due Up To One Year		Falling Due After More Than One Year		Interest Payable	
	2010	2009	2010	2009	2010	2009
	£	£	£	£	£	£
Bank Overdraft (a)	-	1 103 075	-	-	7 376	62 951
Co-op Bank - Treasury Loans (b)	400 773	294 776	3 810 000	2 927 363	180 910	235 516
Allied Irish Bank Loans (c)	92 699	88 077	893 000	1 013 547	18 800	66 609
Clydesdale Bank Loans (c)	71 250	27 303	728 750	519 580	8 700	30 442
Bank Loans sub-total	564 722	410 156	5 431 750	4 460 490		
Finance Leases (d)	469 315	414 919	959 500	921 685	137 587	109 776
	1 034 037	1 928 150	6 391 250	5 382 175	353 373	505 294
Other Interest					394	1 598
Total Interest Payable - see Note 4					353 767	506 892

Notes to the Financial Statements

**Chelmsford Star
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Note 13 Loans - Continued

Terms of Repayment

- (a) on demand
(b) over 15 years from date of advance

Details of Security

- Secured by legal charge on specific property
Secured by legal charge on specific property

- (c) over 15 years from date of advance
(d) over period of lease up to 5 years

- Secured by legal charge on specific property
Secured against leased assets

Interest

- Bank base rate plus margin
Two loans at fixed rates (6.8125% & 4.8125%) and two loans at bank base rate, all plus margin
Bank base rate plus margin
Negotiated rates

Commitments

	Finance Leases		Bank Loans	
	2010	2009	2010	2009
	£	£	£	£
Loan amounts falling due:				
Within One Year - Current Liabilities	469 315	414 919	564 722	410 156
Between One and Two Years	441 149	369 352	639 477	444 981
Between Three and Five Years	518 351	552 333	2 118 769	1 557 532
In more than 5 Years	-	-	2 673 504	2 457 977
Long Term Liabilities - sub total	959 500	921 685	5 431 750	4 460 490
Total Leases and Total Loans	<u>1 428 815</u>	<u>1 336 604</u>	<u>5 996 472</u>	<u>4 870 646</u>

Operating Leases

As at 30 January 2010 the Group had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings		Others	
	2010	2009	2010	2009
	£	£	£	£
Operating leases expiring:				
Within One Year	-	-	9 758	3 655
Between Two and Five Years	108 400	80 450	66 774	82 860
In more than 5 Years	724 950	622 150	-	-
	833 350	702 600	76 532	86 515

Note 14 Provisions for Liabilities and charges

	2010	2009
	£	£
Provision for deferred tax		
Short term timing differences	(772 520)	(588 000)
Losses	(1 066 000)	(461 545)
Total deferred tax asset	<u>(1 838 520)</u>	<u>(1 049 545)</u>

Movement in provision

Provisions at 30 January 2009	1 049 545
Deferred tax charged in the Revenue Account in the period	554 055
Deferred tax charged in the Statement of Recognised Gains and Losses in the period	234 920
Provisions at 30 January 2010	<u>1 838 520</u>

Notes to the Financial Statements

Note 15 Share Capital	2010	2009
	£	£
Balance to Begin Year	4 677 162	4 667 145
Interest Previous Year	206 377	202 912
Interest - Interim and account closure	19 678	38 499
Contributions	1 340 498	729 616
Dormant accounts reactivated	576	1 410
Sub total	6 244 291	5 639 582
Less Withdrawals	347 986	962 420
Balance to End Year	5 896 305	4 677 162

Interest provided at 30 January 2010 **210 294** 206 377

The Society abides by a code of practice which requires it to provide a statement to its shareholders of the nature of their investment and any change affecting it. The position each member occupies as a shareholder of Chelmsford Star Co-operative Society is no different to that of a shareholder in any corporate body in the sense that, if the business fails, they may not have all, or any, of their investment returned to them. Investments are withdrawable without penalty. The Society, unlike banks and building societies, is not subject to prudential supervision by the Financial Services Authority.

Note 16 Reserves	2010	2009
	£	£
A) General Reserve		
Balance as at 31 January 2009	1 384 823	955 596
From Revenue account	1 025 857	803 627
From STRGL:		
Actuarial loss	(839 000)	(520 000)
Movement in pension scheme deferred tax	234 920	145 600
Balance to End Year	1 806 600	1 384 823
B) Non-Distributable Reserve		
Dormant Share Capital Balance to Commence Year	377 265	378 675
Transfers to Active Share Capital	(576)	(1 410)
Balance to End Year	376 689	377 265

Note 17 Reconciliation of Operating Surplus to Net Cashflow from Operating Activities	2010	2009
	52 weeks	53 weeks
	£	£
Trading Surplus	1 408 298	1 020 355
Grants and Donations	(124 047)	(86 360)
Depreciation	986 458	932 812
Amortisation of Goodwill	125 161	115 010
(Increase)/Decrease in Stocks	(94 016)	(189 815)
(Increase)/Decrease in Debtors	207 077	(193 851)
Increase/(Decrease) in Creditors	383 301	49 411
Net Cashflow from continuing operating activities	2 892 232	1 647 562

Notes to the Financial Statements

**Chelmsford Star
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Note 18 Returns on Investments and Servicing of Finance

	2010	2009
	52 weeks	53 weeks
	£	£
Interest Received	5 274	4 696
Interest Paid	(221 001)	(414 870)
Interest Element of Finance Lease Rentals	(136 459)	(106 506)
Share Interest Paid	(176 251)	(190 741)
Net Cashflow for Returns on Investments and Servicing of Finance	<u>(528 437)</u>	<u>(707 421)</u>

Note 19 Capital Acquisitions, Disposals and Financial Investment

	£	£
Purchase of Intangible Fixed Assets	(670 000)	(4 000)
Purchase of Tangible Fixed Assets	(472 658)	(474 479)
Sale of Fixed Asset Investment	(1 000)	-
Proceeds from Tangible Fixed Assets	-	734 013
Net Cashflow for Capital Expenditure Disposals and Financial Investment	<u>(1 143 658)</u>	<u>255 534</u>

Note 20 Financing

	£	£
Share Capital increase (reduction)	1 168 764	(42 062)
Other Bank Loan repayments	(163 236)	(113 774)
Co-operative Bank Treasury Loan repayments	(278 536)	(284 665)
Funeral Schemes	(3 112)	(10 642)
Capital Repayment of Finance Lease Rentals	(494 477)	(457 003)
New Bank Loans drawdown	1 567 598	-
Repayment of Pension Fund deficit under FRS 17	(327 000)	(291 000)
Net Cashflow from Financing	<u>1 470 001</u>	<u>(1 199 146)</u>

Note 21 Analysis of Net Debt

	To Begin	Cash Flows	Non-Cash Changes	To End
	£	£	£	£
Debt due within one year	(410 156)	(154 566)	-	(564 722)
Debt due after one year	(4 460 490)	(971 260)	-	(5 431 750)
Finance Leases	(1 336 604)	494 477	(586 688)	(1 428 815)
	<u>(6 207 250)</u>	<u>(631 349)</u>	<u>(586 688)</u>	<u>(7 425 287)</u>
Cash at Bank and in Hand	(775 980)	1 686 179	-	910 199
Current Asset Investments	6 325	1 003 959	-	1 010 284
	<u>(6 976 905)</u>	<u>2 058 789</u>	<u>(586 688)</u>	<u>(5 504 804)</u>

Note 22 Major Non-Cash Transactions

During the year the Society entered into finance lease arrangements with a total capital value of £586,688 (January 2009 - £550,958).

Note 23 Capital Commitments

At 30 January 2010 there are capital commitments amounting to £134,000 not provided for in these financial statements (January 2009 - Nil).

At 30 January 2010 expenditure of £2,260,000 has been authorised by the Board of Directors, but not contracted (January 2009 - £164,000).

Notes to the Financial Statements

Note 24 Accounting for Pensions

Pension Disclosure under FRS 17

The Society operates a defined benefit pension scheme - the Chelmsford Star Co-operative Society Limited Employees' Superannuation Fund. A full actuarial valuation was carried out as at 31 January 2009 and updated to 30 January 2010 by a qualified independent actuary. The service cost has been calculated using the projected unit method.

	At year end 30 January 2010 £	At year end 31 January 2009 £
Change in benefit obligation		
Benefit obligation at beginning of year	8 593 000	9 599 000
Current service cost	111 980	134 081
Interest cost	588 000	580 000
Member contributions	116 887	110 000
Past service costs	-	-
Actuarial (gains)/losses	1 922 000	(1 403 000)
Benefits paid	(365 000)	(427 000)
Benefit obligations at year end	<u>10 966 867</u>	<u>8 593 081</u>
Analysis of defined benefit obligations		
Plans that are wholly or partly funded	<u>10 966 867</u>	<u>8 593 081</u>
Total	<u>10 966 867</u>	<u>8 593 081</u>
Change in plan assets		
Fair value of plan assets at beginning of year	6 493 000	7 805 000
Expected return on plan assets	441 000	503 000
Actuarial gain (loss)	1 083 000	(1 923 000)
Employer contributions	438 980	425 081
Member contributions	116 887	110 000
Benefits paid	(365 000)	(427 000)
Fair value of plan assets at year end	<u>8 207 867</u>	<u>6 493 081</u>
Funded Status	<u>(2 759 000)</u>	<u>(2 100 000)</u>
Unrecognised past service cost (benefit)	-	-
Effect of surplus cap	-	-
Deferred tax	772 520	588 000
Net amount recognised	<u>(1 986 480)</u>	<u>(1 512 000)</u>
Components of Pension cost		
Current service cost	111 980	134 081
Interest cost	588 000	580 000
Expected return on plan assets	<u>(441 000)</u>	<u>(503 000)</u>
Other Finance costs	147 000	77 000
Past service costs	-	-
Total pension cost recognised in the Revenue Account	<u>258 980</u>	<u>211 081</u>
Actuarial gains (losses) immediately recognised	<u>(839 000)</u>	<u>(520 000)</u>
Effect of surplus cap	-	-
Total pension cost recognised in the STRGL	<u>(839 000)</u>	<u>(520 000)</u>
Cumulative amount of actuarial gains (losses) immediately recognised	<u>(4 098 000)</u>	<u>(3 259 000)</u>

Notes to the Financial Statements

**Chelmsford Star
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Note 24 Accounting for Pensions (continued)

Plan Assets

The weighted-average asset allocation at year end was as follows:

Asset category

	Plan assets at 30 January 2010 £	Plan assets at 31 January 2009 £
Equities	66%	67%
Bonds	26%	27%
Real Estate	8%	6%
	<u>100%</u>	<u>100%</u>

To develop the expected long-term rate of return on asset assumptions, the society considered the current level of expected returns on risk free investments (primarily government bonds), the historic level of the risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns on each asset class. The expected return on each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on asset assumption for the portfolio. This resulted in the selection of the 6.7% assumption for the year ending January 2010.

	Year ended 30 January 2010 £	Year ended 31 January 2009 £
Actual return on plan assets	<u>1 524 000</u>	<u>(1 420 000)</u>

Weighted average assumptions used to determine benefit obligations at

	30 January 2010	31 January 2009
Discount rate	5.7%	6.9%
Rate of increase in pensions in payment (5% LPI)	3.4%	3.4%
Rate of increase in pensions in payment (2.5% LPI)	2.5%	2.5%
Rate of increase in pensions in deferment	3.4%	3.4%
Inflation	3.4%	3.4%

Weighted average assumptions used to determine net pension cost for year ended

	30 January 2010
Discount rate	6.9%
Expected long-term return on plan assets	6.7%
Rate of increase in pensions in payment (5% LPI)	3.4%
Rate of increase in pensions in payment (2.5% LPI)	2.5%
Inflation	3.4%

Weighted average life expectancy for mortality tables used to determine benefit obligations 30 January 2010

	Male	Female
Member aged 65 (current life expectancy)	20.4	23.2
Member aged 45 (life expectancy at 65)	21.3	24.1

Five year history

	Financial Year ending in January				
	2010	2009	2008	2007	2006
	£	£	£	£	£
Benefit obligations at year end	10 966 867	8 593 081	9 599 491	9 512 000	8 922 000
Fair value of plan assets at year end	8 207 867	6 493 081	7 805 491	7 706 000	6 952 000
Deficit	<u>(2 759 000)</u>	<u>(2 100 000)</u>	<u>(1 794 000)</u>	<u>(1 806 000)</u>	<u>(1 970 000)</u>
Difference between actual and expected return on scheme assets					
amount	1 083 000	(1 923 000)	(567 000)	175 000	806 000
percentage of scheme assets	13.0%	(30.0%)	(7.0%)	2.0%	12.0%
Experience gains and (losses) on scheme liabilities					
amount	(26 000)	-	-	(274 000)	(7 000)
percentage of scheme liabilities	0%	0%	0%	(3%)	0%

Contributions

The society expects to contribute 15.8% of members' pensionable wages along with a special contribution of no less than £200,400 to the fund in 2010/11 totalling around £440,000.

Note 25 Subsidiary Society

At 30 January 2010 the Group consisted of Chelmsford Star Co-operative Society Limited and one wholly owned subsidiary society, Star Holdings Chelmsford Limited (SHC). The principal activity of the subsidiary is Property Management.

Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHELMSFORD STAR CO-OPERATIVE SOCIETY LIMITED

We have audited the financial statements of Chelmsford Star Co-operative Society Limited for the year ended 30 January 2010 which comprise the Group Revenue Account, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the society's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditors' 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 and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the society and the auditors

As described in the Statement of Directors' Responsibilities, the society's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Friendly and Industrial and Provident Societies Act 1968, the Industrial and Provident Societies Acts 1965 to 2002 and the Industrial and Provident Societies (Group Accounts) Regulations 1969. We also report to you if, in our opinion, the society has not kept proper books of account and maintained a satisfactory system of control over its transactions, if the Directors' Report is not consistent with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the society and the group as at 30 January 2010 and of its surplus for the year then ended;
- have been properly prepared in accordance with the Friendly and Industrial and Provident Societies Act 1968, the Industrial and Provident Societies Acts 1965 to 2002 and the Industrial and Provident Societies (Group Accounts) Regulations 1969; and
- the information given in the Directors' Report is consistent with the financial statements.

LISA WAGHORN FCCA ACA (Senior Statutory Auditor)

For and on behalf of
MACINTYRE HUDSON LLP
Chartered Accountants & Statutory Auditor

Moulsham Court
39 Moulsham Street
Chelmsford
Essex
CM2 0HY

25 March 2010

Group Value Added Statement

Year ended 30 January 2010

	2010 52 weeks		2009 53 weeks	
	£	%	£	%
Turnover including Asset Sale Proceeds	50 970 002		48 738 258	
Less Value Added Tax	3 404 450		3 486 565	
NET SALES	47 565 552		45 251 693	
Less BOUGHT IN MATERIALS, SERVICES and Net Book Value of Disposals	37 258 267		35 462 269	
VALUE ADDED IN THE YEAR	10 307 285	100.0%	9 789 424	100.0%
APPLIED AS FOLLOWS:				
To Employees				
Net Pay	5 287 295		4 962 334	
Income Tax, National Insurance and Pension contributions	1 212 874		1 140 390	
Society contributions for National Insurance	465 654		434 381	
Society contributions to the pension fund	111 980		134 081	
	7 077 803	68.7%	6 671 186	68.1%
To Members and other providers of capital				
Share Interest	229 971		244 297	
Interest on bank loans	215 786		395 518	
Interest on other loans and leases	137 981		111 374	
Interest per FRS 17 - pension fund	147 000		77 000	
Rent payable	870 823		880 203	
	1 601 561		1 708 392	
less investment income and rents receivable	(190 016)		(244 635)	
	1 411 545	13.7%	1 463 757	15.0%
To Members and customers				
Share of the profits and 500 Club rewards	116 841		121 867	
Other member benefits and Donations	27 012		24 326	
Education/Member Relations	90 665		58 464	
	234 518	2.3%	204 657	2.1%
For the replacement of assets and expansion of the Society				
Depreciation	1 111 618		1 047 822	
Retained Surplus	471 802		402 002	
	1 583 420	15.3%	1 449 824	14.8%
	10 307 286	100.0%	9 789 424	100.0%

Standing Orders - Members' Meetings

1. The Order of business at every general or special meeting of the Society shall be in accordance with the printed agenda of business issued with the notice of the respective meeting.
2. Except in the case of a special general meeting called upon the requisition of members, the agenda of every meeting shall be made out in the form and order approved by the Directors and shall include only such business as is decided upon by the Directors.
3. All notices of motion for consideration at any general meeting must be submitted to the Directors in writing, signed by the member giving the notice, not later than twenty one days prior to the date of the meeting. Any amendments to any proposal on the agenda at any general meeting must be received by the Society at least fourteen days prior to the meeting (Rule 9.3).
4. No member shall be allowed to speak more than once on any motion (other than by drawing the attention of the Chair to a point of order) except the mover of the motion who shall be allowed the right of reply to amendments and before the final vote is taken. No member shall speak after the mover has made his reply to the motion after which the question shall be put from the chair.
5. No member shall be allowed to speak for more than three minutes, except the mover, who may speak for five minutes and take three minutes in reply.
6. An amendment to a motion must be moved and seconded. No other amendment may be discussed until the first amendment has been disposed of. No person may move or second more than one amendment to the original motion.
If an amendment be carried it becomes the substantive motion. Voting on motions and amendments will be on a show of hands or voting cards, if issued.
7. Any member who has not spoken to the question before the meeting may at any time during the course of the debate move "That the question be now put". Such motion (if accepted by the Chair) must be made without any accompanying speech and must be forthwith put without amendment or debate, and should such motion be adopted, the chairman shall, subject to the right of reply of the mover of the question under discussion, at once put the question.
8. Any member choosing to speak upon any question whatsoever must rise in his place and address himself to the chairman. When two or more members rise at the same time, the chairman shall indicate the member who is to speak first. Members should state their name and may speak from the Rostrum at their discretion.
9. Whenever the chairman rises to speak, no member shall continue standing, nor shall any member rise until the chairman resumes his seat.
10. A member shall confine his speech strictly to the motion under discussion, or to the amendment or to a question of order.
11. The chairman may call attention to continued irrelevance, tedious repetition, or any breach of order on the part of a member and may direct such member to discontinue his speech.
12. Any one or more of these standing orders may be suspended at any meeting by the vote of a two-thirds majority of members present at the meeting. The decision of the chairman upon any point of order shall be final.

Complaints by Members - A member who has any complaint to make as to the quality, quantity, or price of any goods or services supplied by the Society, or the conduct of any officer or employee of the Society, shall send the particulars of such complaint to the Board who shall inquire into and decide upon them, subject to an appeal from any such decision to an ordinary meeting of members; **but no members complaint may be raised at any Meeting of Members except on appeal.**

Addresses and Telephone Numbers

'quadrant' Department stores:

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

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

The Co-operative Food stores:

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

164/170 Meadgate Avenue,
Great Baddow, Chelmsford, Essex
CM2 7LJ • **01245 354759**

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

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

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

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

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

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

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

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

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

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

78/82 Forest Drive, Chelmsford, Essex
CM1 2TS • **01245 258855**

3/5 Spreadeagle Place, Ingatestone,
Essex CM4 9EA • **01277 353124**

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

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

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

174/176 Crossing Road, Braintree,
Essex CM7 3PL • **01376 320952**

203/205 Mountbatten Road, Braintree,
Essex CM7 9UL • **01376 334479**

115/117 Ferry Road, Hullbridge, Essex
SS5 6ET • **01702 232388**

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

7/8 St. Peter's Terrace, Wickford, Essex
SS12 0AP • **01268 768833**

493/495 Southchurch Road,
Southend-on-Sea, Essex SS1 2PH
01702 461550

85/87 West Road, Shoeburyness, Essex
SS3 9DT • **01702 290679**

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

173/175 Long Road, Canvey Island,
Essex SS8 0JD • **01268 693004**

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

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

14/16 Calcutta Road, Tilbury, Essex
RM18 7QU **01375 843401**

3/4 Canterbury Road, South Ockendon,
Essex RM15 6NH • **01708 852488**

Super Saver store:

35/39 Masefield Road, Braintree, Essex
CM7 1AA • **01376 345789**

Post Office facilities:

16 Main Road, Danbury, Essex
CM3 4NQ • **01245 222001**

35/39 Masefield Road, Braintree, Essex
CM7 1AA • **01376 348083**

Funeral Services:

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

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

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

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

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

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

Travel Centres:

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

'quadrant', George Yard,
9/15 Rayne Road, Braintree,
Essex CM7 2QA • **01376 551444**

Customer Service facilities:

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

'quadrant', George Yard,
9/15 Rayne Road, Braintree,
Essex CM7 2QA • **01376 321303**

NEW Food convenience stores coming soon to:

Exchange Way - Chelmsford,
Panners Parade - Great Notley,
Woodland Avenue - Hutton
and Fingrith Hall Lane - Blackmore.

Chelmsford Star Co-operative Society Ltd.

Registered office: 220 Moulsham Street, Chelmsford, Essex. Registered number: 973R, Essex

www.chelmsfordstar.coop • email: members@chelmsfordstar.coop

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