

The background of the entire page is a dense, repeating pattern of green apples, likely a variety like Braeburn, which are slightly out of focus and have a soft, natural lighting. The apples are arranged in a somewhat regular grid but with natural variations in orientation and lighting, giving it a fresh and organic feel.

# The annual

**report & financial statements** 52 weeks ended 29th January 2011

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

# Contents

	<b>Page:</b>
Directors, Elected Representatives, Management Executive and Advisers	<b>2</b>
Notice of Meeting	<b>3</b>
Five Year Comparative Statement	<b>4</b>
5 years at a glance	<b>5</b>
Co-operative, Environmental and Social Performance Indicators	<b>6</b>
Directors' Report	<b>7 - 9</b>
Remuneration Report	<b>10</b>
Succession Planning Report	<b>11</b>
Statement of Directors' Responsibilities & Board Certification	<b>11</b>
Directors' Statement on Corporate Governance	<b>12</b>
Statement of Accounting Policies	<b>13</b>
Group Revenue Account	<b>14</b>
Group Balance Sheet	<b>15</b>
Group Cash Flow Statement	<b>16</b>
Group Statement of Total Recognised Gains and Losses	<b>16</b>
Notes to the Financial Statements	<b>17 - 27</b>
Independent Auditor's Report	<b>28</b>
Group Value Added Statement	<b>29</b>
Standing Orders - Members' Meetings	<b>30</b>
Addresses and Telephone Numbers	<b>31</b>

## Directors, Elected Representatives, Management Executive and Advisers

### As at 24th March 2011

#### **BOARD OF DIRECTORS**

**President** (appointed by the Directors)

Mr M P Austin

#### **Directors**

Mrs J E Martin - Vice-President

Ms H A Corby

Mrs P Dodd

Mr C Fegan

Mr F P L Gardner

Mrs P Green

Mr A Price

Mrs J Saunders

Mr M F R Whalley

Mr R Simons and Ms A K Bearman also served on the Board during the year under review

#### **Audit Committee**

Mr F P L Gardner (Chair)

Mrs J E Martin

Mrs J Saunders

#### **Remuneration Committee**

President (Mr M P Austin)

Vice President (Mrs J E Martin)

Mrs P Dodd

Mrs J Saunders

#### **REGISTERED OFFICE**

220 Moulsham Street Chelmsford CM2 0LS

Registered Number 973R Essex

Web address: [www.chelmsfordstar.coop](http://www.chelmsfordstar.coop)

#### **Succession Planning Sub-committee**

Mr C Fegan (Chair)

Mr M P Austin

Mr F P L Gardner

Mrs P Green

Mrs J E Martin

Mr A Price

Mr M F R Whalley

#### **Membership Committee**

Mr M F R Whalley (Chair)

Mr C Fegan

Mrs P Dodd

Mrs P Green

#### **Elected Members' Representatives**

Mr L Bowser

Mr T Gunn

#### **Co-opted member**

Mrs F Mockett (Members' Council Chair)

#### **Members' Council**

Mrs F Mockett (Chair)

Mr S Cross

Mr D Edwards

Mr C Henton

Mr M Wallace

#### **Co-opted members**

Mrs J Adams

Mr J Dorrington

Mrs B Sweeney

#### **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

Mrs E Tredwin - Secretarial Officer

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

##### **Internal Auditor**

Mutual One

The Bailey

Skipton

# Notice of Meeting

Notice is hereby given that the **Annual General Meeting of Members** will be held on **Monday 9th May 2011** 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 10th May 2010**
- 2. Directors' Report and Financial Statements for the year ended 29th January 2011**
- 3. Ratification of the Share of the Profits at £6.50 per 1000 points accrued on Membership Cards at 29th January 2011, to be credited to Membership cards on 10th May 2011**
- 4. Appointment of Scrutineers**
- 5. Election of 3 Directors:**  
3 vacancies for 3 years - 6 nominations received. (See next column).
- 6. Election to the Membership Committee:**  
1 vacancy for 2 years - 5 nominations received. (See next column).
- 7. Appointment of 6 members to the Members' Council:**  
4 vacancies for 2 years and 2 vacancies for 1 year - 6 nominations received. No election required. (See next column).
- 8. Management Presentation:**
  - Review of 2010/11 trading year
  - Future prospects and business development.
- 9. Appointment of Auditor**
- 10. Charity of the Year 2011**

Motions must be submitted to the Secretary by no later than 5.00 pm on 18th April 2011.

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

B = Board

M = Membership Committee

C = Members' Council:

Julie Adams	B	M	C
Lois Bowser	B	M	-
Pauline Dodd	B	M	C
Tony Gunn	B	-	-
Len Hope	-	-	C
Jan Martin	-	M	C
Fiona Mockett	B	M	C
Tony Price	B	-	-
Malcolm Wallace	-	-	C

Members registered for Postal Voting will receive Ballot Papers by mail to be returned by 4th May 2011.

## 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.

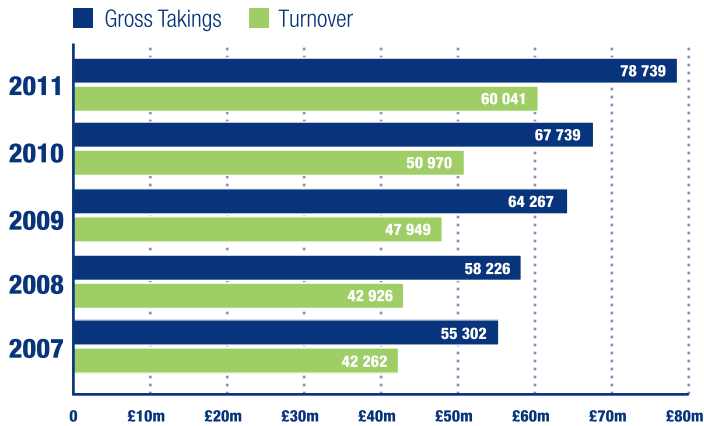
**TRANSPORT - Members who require transport to this Meeting should contact the Secretary of the Society at the Registered Office, 220 Moulsham Street, Chelmsford, Essex, CM2 0LS before 5.00pm on 2nd May 2011.**

# Five Year Comparative Statement

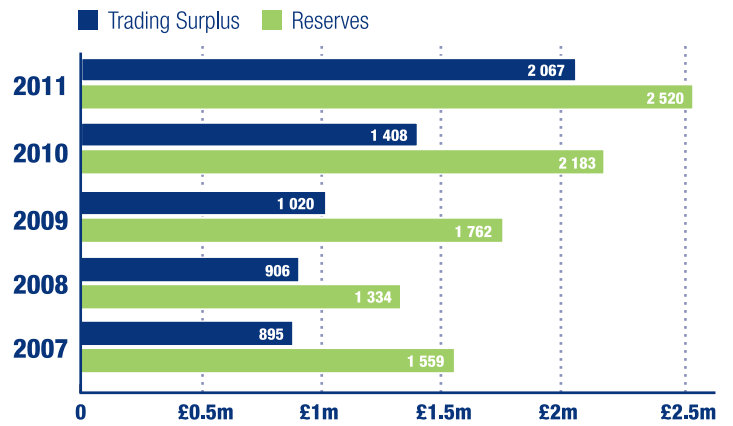
<b>Year ended:-</b>	27 January 2007 52 weeks	26 January 2008 52 weeks	31 January 2009 53 weeks	30 January 2010 52 weeks	<b>29 January 2011 52 weeks</b>
	£	£	£	£	£
Gross Takings	55 301 947	58 226 381	64 267 052	67 739 277	<b>78 739 458</b>
Turnover (per FRS 5)	42 262 035	42 926 022	47 949 208	50 970 002	<b>60 041 460</b>
Net Sales	39 228 393	39 800 647	44 462 643	47 565 552	<b>55 275 546</b>
Members' Benefits & Grants	162 773	175 361	210 867	240 840	<b>301 098</b>
Trading Surplus	895 109	905 895	1 020 355	1 408 298	<b>2 067 476</b>
Share Interest	231 870	239 000	244 297	229 971	<b>266 848</b>
Retained Surplus before Tax	740 767	35 636	402 002	471 802	<b>315 079</b>
Depreciation	1 109 526	1 000 586	1 047 822	1 111 618	<b>1 287 862</b>
Capital Expenditure including Goodwill	1 518 949	2 058 650	1 029 437	1 729 346	<b>4 045 794</b>
Fixed Asset - Net Book Values	14 113 071	14 915 635	14 514 937	15 082 626	<b>17 488 550</b>
Net Current Assets (Liabilities)	(893 404)	(1 582 401)	(1 345 724)	607 147	<b>(768 032)</b>
Total Assets less Current Liabilities	13 219 667	13 333 234	13 169 213	15 689 773	<b>16 720 518</b>
Long Term Liabilities	(5 132 084)	(5 836 648)	(5 473 131)	(6 479 405)	<b>(6 501 135)</b>
Net Pension Liability	(1 300 320)	(1 291 680)	(1 512 000)	(1 986 480)	<b>(1 920 630)</b>
Deferred Tax	-	-	461 545	1 066 000	<b>1 218 785</b>
NET ASSETS	6 787 263	6 204 906	6 645 627	8 289 888	<b>9 517 538</b>
Share Capital	5 228 056	4 870 635	4 883 539	6 106 599	<b>6 997 305</b>
Reserves	1 559 207	1 334 271	1 762 088	2 183 289	<b>2 520 233</b>
MEMBERS' FUNDS	6 787 263	6 204 906	6 645 627	8 289 888	<b>9 517 538</b>
Membership	52 937	55 020	57 438	61 630	<b>64 631</b>
Average Shareholding per Member	£98.76	£88.52	£85.02	£99.08	<b>£108.27</b>
Trading Surplus as % of Net Sales	2.28	2.28	2.29	2.96	<b>3.74</b>
Members' Benefits as % of Net Sales	0.41	0.44	0.47	0.51	<b>0.54</b>
Fixed Asset additions as % of Net Sales	3.87	4.17	2.32	3.64	<b>7.32</b>
Gearing	87%	117%	105%	66%	<b>75%</b>
Interest cover (Net interest as % of Surplus before Interest)	221%	188%	203%	410%	<b>665%</b>

# 5 years at a glance

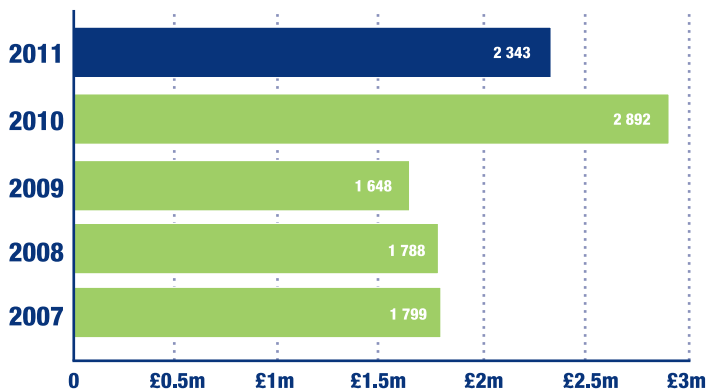
## Gross Takings & Turnover £000



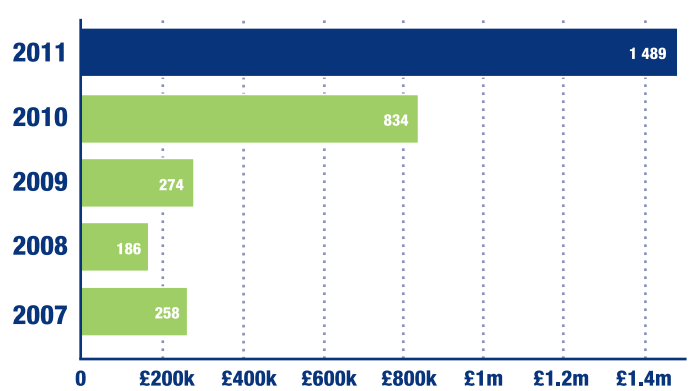
## Trading Surplus & Reserves £000



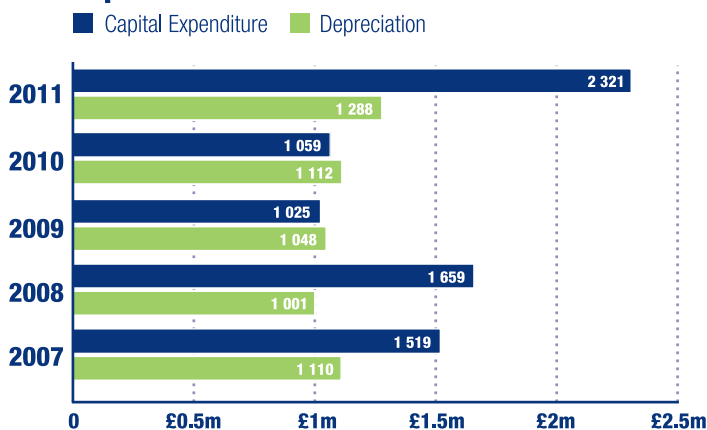
## Cash Flow from Operating Activity £000



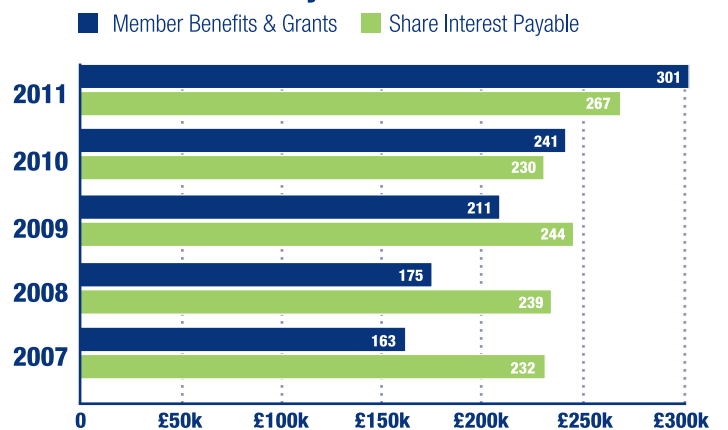
## Operating Profit £000 (Trading Surplus less Interest)



## Capital Expenditure & Depreciation £000



## Member Benefits & Grants / Share Interest Payable £000



# Co-operative, Environmental and Social Performance Indicators

Year ended 29 January 2011

As a co-operative the Society seeks to operate its business in accordance with co-operative values and principles. To assist in the monitoring of our performance we utilise the ten indicators which have been produced by Co-operatives<sup>UK</sup>.

Description	Measure	Performance in 2010/11
<b>1. Member economic involvement</b>	Trade conducted with members as a proportion of turnover	Data from usage of the Co-operative Membership Card indicates turnover of £8.75m or 11.1% of total turnover conducted with Members. This includes Community Card activity of £497k or 0.6%
<b>2. Member democratic participation</b>	Number of members voting in elections and as a percentage of total membership	284 members voted in the election for 4 board positions. 8 candidates stood for election. 284 voting members represented 1.87% of the active membership and 0.38% of the total membership. This compares with 1.7% of active Members in 2009/10
<b>3. Participation of employees and members in training and education</b>	Hours of training undertaken	2,489 hours of training were given to staff and our Directors, at our Danbury Training Centre
<b>4. Staff injury and absentee rates</b>	Total number of accidents and reportable accidents  Staff absentee rates	The total number of accidents involving staff and reported during the year was 78, of which 6 were serious  The average number of absence days across the Society was 5.16 days compared to 6.12 days in 2009/10
<b>5. Staff profile gender and ethnicity</b>	Gender split and percentage of employees from different ethnic groups	62% of our staff are female and 38% male. 3.8% of our staff have a non-white ethnicity
<b>6. Customer satisfaction</b>	Percentage of customers being satisfied with service	56% of returned surveys from our Funeral, Department Stores, and Travel clients rated the service received as excellent, with 39% rating the service received as good. Only 5% of respondents rated service less than "good"
<b>7. Consideration of ethical issues and procurement and investment decisions</b>	Evidence of ethical issues in decision making	The majority of our procurement is through membership of the Co-operative Retail Trading Group (CRTG). We support and promote ethical buying policies of CRTG, which has stated its commitment to the principles of sound sourcing and to addressing worker conditions in the supply chain. We actively support and promote Fairtrade merchandise
<b>8. Investment in the community and Co-operative initiatives</b>	Annual proportion of investment in community/Co-operative initiatives as a percentage of pre-tax profits	£43,914 was donated to community groups and in support of local initiatives, which equates to 13.9% of pre-tax profits, compared with £22,036 in 2009/10 - 4.7%
<b>9. Net CO<sub>2</sub> emissions arising from operations</b>	Net tonnes of CO <sub>2</sub> emissions from energy used for all on-site operations (but excluding transport)	We have produced 4,844 tonnes of CO <sub>2</sub> from electricity consumption, compared to 4,336 tonnes last year. However like-for-like CO <sub>2</sub> consumption (excluding acquisitions) is 4,258 tonnes, 1.8% less than last year
<b>10. Waste recycling</b>	Percentage of waste recycled/re-used as proportion of total waste	We have recycled 13.9% of the waste produced this year. Head office waste recycled, has generated enough to "save" 31 trees this year

# Directors' Report

## To The Members

Your Board of Directors has pleasure in submitting for your consideration its Annual Report, which covers a period of 52 weeks ending on 29th January 2011.

### Economic Background

In our report to members for last year, we made reference to the likelihood of 2010 being very challenging in economic terms. This has most definitely proved to be so, and worryingly it looks set to continue throughout 2011.

However, in last year's report your Directors expressed confidence in respect of 2010 and made the following statement:

*"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."*

**It is with great pleasure that your Board reports to you that 2010/11 has again been a year of real achievement and that the financial results now reported are again outstanding and have indeed maintained the impressive progress of recent years, despite the difficult economic conditions.**

### Financial

Your Society's gross takings for the year amounted to £78,739,458. This compares to last year's figure of £67,739,277 and is therefore an increase of £11,000,181 or 16.2%.

The impressive rate of growth has come about by a combination of investment in new food shops and market-leading "like for like" growth from our established outlets.

The Society's overall "like for like" increase in gross takings amounted to £3,372,149 or 5.0% with Food, Departmental Stores and Funerals all producing excellent figures. Details are given later in the report.

**The Society has now had thirteen successive years of growth in gross takings ahead of inflation representing a material increase in our market share. Your Directors are understandably proud of this remarkable achievement.**

Members will be aware from reports of previous years that your Directors place great emphasis on lowering the proportion of the Society's income which is absorbed by operating costs.

The Directors are pleased to be able to inform members that cost as a proportion of the Society's

income has again fallen. The ratio for the year ended 29th January 2011 is 88.96%, whereas last year it was 91.09%, which in itself was a new record.

The Society's ability to generate market-leading levels of growth in turnover, together with the effective management of gross margins and costs, has enabled trading profit to reach £2,067,476, a new record for your Society. This compares to last year's figure of £1,408,298. We have therefore increased trading profit by £659,178 or 46.8%. **Taken over two years, trading profit has grown 102% and over three years by 128%.**

Members will note from the financial statements that the Society has absorbed within the Revenue Account a charge for exceptional items amounting to £874,264. This relates to a write-off in the carrying value of our leasehold interest in George Yard, Braintree and absorption of a charge from the Co-operative Group in respect of the Society's proportionate share of the costs of integrating Somerfield into the Group.

The benefits to Chelmsford Star of the Somerfield acquisition are significant and will enhance our Food margins for many years to come.

It is your Directors' opinion that it is prudent to offset both charges against our revenue in the current financial year.

**In the light of the Society's outstanding performance, the Directors wish to place on record their sincere thanks to all our employees who are the backbone of our success.**

### Food

A key aspect of the Society's financial strategy is to expand our Food business and thereby dilute our fixed overhead costs. It is however, one thing to wish to expand and another to do it, because competition for sites and established business is intense, with all the major multiples and, indeed other Co-operatives, competing with us to secure additional outlets.

In the year under review, the Society's Food business in terms of gross takings reached a new record of £64,011,875, which was an increase of £9,957,010 or 18.4%. Members will recognise that an increase of this magnitude could only have come about if the Society had been successful in acquiring additional outlets. Your Directors are very pleased to report that during the year new shops were opened in South Ockendon, Hutton, Blackmore, Great Notley, Hawkwell (Off-Licence), Exchange Way, Chelmsford, and Nevendon Road, Wickford.

A key measure of performance in any retail business is the rate of "like for like" growth in turnover that is achieved. In the financial year ended 30th January 2010, our rate of "like for like" growth in Food had been a remarkable 10%, giving us something of a challenge for the year 2010/11.

**It is therefore, with much satisfaction that your Directors report that for the second successive year, the Society's Food shops have achieved a market-leading rate of "like for like" growth. The rate in the past year was 4.8%. This has resulted in profitability being ahead of that envisaged in the Business Plan.**

### Departmental Stores

Market conditions have been very challenging for all operators of Departmental Stores throughout 2010 as economic conditions have not been favourable. There has been also a marked increase in the amount of online or internet shopping by consumers, which takes trade away from the traditional High Street. As if this were not enough, the severe weather during December and early January also reduced footfall.

Given all the negatives, it would not be surprising if the Society's Departmental Stores had struggled for any sort of growth in 2010. This has been the reality for many of our competitors.

**Your Directors are therefore extremely pleased to be able to report to members that growth in the year on a comparable basis is in fact a remarkable 10.0%, which is very much in the upper quartile of performance.**

Both of the 'quadrants' have contributed with our Furniture business continuing to be outstanding in both stores. Excellent progress has also been made in Ladies' Fashions and Menswear, aided by a number of new brands, which have been very well received.

### Travel

The past year has been one of the worst in the industry for a long time. It would seem that whatever could go wrong for Travel has gone wrong in 2010. A combination of the Icelandic volcano in April, industrial actions by airline staff, disruption due to snow and the ongoing economic difficulties have all taken their toll, so much so, that the Society's Travel business has fallen by 11.8% in the year.

On the positive side, management has taken action to minimise the impact on profitability and, despite everything, the financial results, whilst understandably worse than budgeted for, are not materially worse and quite sustainable when viewed against the Society's overall profitability.

**The Society has now adopted the Co-operative Brand for Travel and at the time of writing this report, the Travel branch within Chelmsford quadrant has been relocated and re-branded. The Directors are optimistic that the adoption of the Brand will assist in any recovery in business but this is only likely when consumers feel better about the economy.**

# Directors' Report (continued)

## Funerals

The Society has had its best ever year not just in terms of funerals undertaken but also in respect of Funeral Plans sold.

Gross takings increased 14.4%, whilst the number of funerals conducted grew by 14.2%.

**The outstanding growth in turnover has given the Society its best ever market share and a level of profitability that is comfortably in excess of that anticipated in the business plan.**

## Investment Property

Income from rents on the Society's investment property portfolio have increased 16.3% "year on year". This has been due primarily to higher average rates of occupancy but, also partly, to the development of flats in Masefield Road, Southchurch Road and Hawkwell.

## Funding and Interest

The strategic expansion of our Food business has led to an increase in net debt, but only within the financial parameters set by the Board.

The budget for 2011/12 puts in place a strategy to reduce net debt significantly to around 2008/2009 levels.

This means that net debt will be at a level that would enable us to make further acquisitions, if a suitable opportunity comes along.

The Board is mindful that interest rates are at historically low levels and are likely to rise during 2011. With this in mind, the Board has agreed to fixing interest on a proportion of the Society's borrowings, thereby providing a safeguard against a material increase in interest rates over the next five years.

## Employees' Superannuation Fund

The next actuarial valuation of the Employees' Superannuation Fund will be undertaken in January 2012.

As at 29th January 2011, the deficit on an FRS 17 basis is £1,920,630; at 30th January 2010, the deficit was £1,986,480, both after off-setting deferred tax.

During this year, the Society and the Trustees have agreed a revised ten year recovery plan. The Society is fully meeting its obligations under the terms of the plan.

**The Society's continued improvement in financial performance has further strengthened the Employers' Covenant which is extremely important. Investment returns have also improved materially during the year. These are important factors which, together with the cash injections from the recovery plan, are expected to lead to the eventual elimination of the deficit.**

## Distributions

The Society's total distributions of profit which are made up of interest on members' share capital, dividend on purchases, the membership grant and sundry donations amount to £492,459, last year they amounted to £394,670.

Interest rates on share capital, together with a loyalty bonus, have been held constant during the year providing members with a stable income. We hope this has been helpful.

Interest rates and loyalty bonus rates in respect of 2011 have now been published. The Directors believe that the rates are very attractive and would again hope to maintain them as a minimum throughout the year.

**For the current year your Directors propose to recommend to members a payment of a share of the profits at a rate of £6.50 for each 1,000 points earned. Last year's rate was £6.25 per 1,000 points.**

## Board of Directors

Maurice Austin has served as President throughout the year and Jan Martin as Vice President; Michael Whalley has continued to chair the Membership Committee and, during the year, Fiona Mockett was appointed to chair the Members' Council.

Following last May's Annual General Meeting, Hazel Corby and Judy Saunders were elected to the Board. Ann Bearman and Roger Simons did not seek re-election having given outstanding service to the Society over a number of years.

As is usual, the year has again been demanding in terms of workload; Directors have continued to monitor all aspects of the Society's financial performance and its wider strategic objectives.

Towards the latter part of the year, the Board undertook a skills audit. The results will be available early in 2011 and will lead to the formation of an updated training strategy for Directors.

In last year's report to members, reference was made to the Society's new three-year strategic plan and ten key components of the plan were mentioned. These included goals such as to double trading profit within three years, to introduce a flexible dividend offer and to give strong support to other Co-operatives and to Co-operative Fortnight.

**It is your Directors' opinion that much has been achieved during 2010 and that taken overall, the Society is very much on course to achieve the majority of its key goals.**

Members will be fully updated at the Annual General Meeting, which this year will be held on 9th May 2011.

## Membership and the Community

The past year has been very busy and extremely productive for the Society's membership function.

The expansion in the Society's trading outlets has led to wider opportunities to both engage and recruit new members. A total of 3,096 new members have been added to the register this year. The Membership Committee would thank Keith, our Member Relations Officer and Tracey, his assistant, for the enthusiasm and commitment they have shown.

In our interim report to members, reference was made to a wide range of activities including our Coffee Clubs held in both 'quadrants', Silver Surfer taster sessions and the afternoon quizzes; these have all continued and have been increasingly well supported.

In September, a new initiative called Launchpad was introduced. This is a service designed to help people back into employment and it has been well received and appreciated.

During the course of this year, the Anglo European School in Ingatestone has decided to become a Co-operative Trust school. The Society is delighted to support another such school in its initiative, joining St Cleres in Stanford-le-Hope.

The Membership Committee has been heavily involved in discussions and planning for the introduction of a Youth Council into the Society. It is now expected that this exciting initiative will come to fruition in the early part of 2011. Members will be fully briefed at the Annual General Meeting in May.

The Society has continued its support for Fairtrade throughout the year giving support to local primary and secondary schools to run workshops. We also played a prominent part in supporting the first ever Chelmsford Fairtrade Town Trail. As part of Fairtrade Fortnight a joint event with the Mayor of Chelmsford was held in March in the Chelmsford quadrant store; it was well attended and was another very successful event promoting and raising further awareness of Fairtrade.

Members will be aware that the Society was one of the founding sponsors for Co-operative Fortnight, which proved to be a big success in raising both awareness and the profile of Co-operatives. The Society has agreed to continue its support as a founding sponsor in 2011 and plans are now being formulated for a series of events on both a national and local basis.

The Society's Community Card scheme continues to provide a much needed financial lifeline to local groups. We now have 207 groups as members.

# Directors' Report (continued)

The Society's Members' Council has met on four occasions during the year. A wide range of topics have been discussed and the Council's input has been much welcomed. The Council Chair, Fiona Mockett, has also served on the Membership Committee providing an important link between the two Committees.

## Employees

The Directors would pay tribute to all our employees whose dedication and professionalism is a big factor in our continuing success.

For the second year in succession, the Society has been able to pay a tax-free bonus to all General Assistants who have at least one year's service. The cost of the bonus has been charged against the Society's profits. We would hope to be able to continue to reward our employees in this way but this will depend upon our continuing profitability.

## The Year Ahead

Each year does, of course, bring with it fresh challenges and all the economic indicators would seem to suggest that retailing will struggle for any sort of growth in 2011 and that as a consequence profitability will come under pressure.

The Directors have reviewed a comprehensive business plan and budget produced by management for our 2011/12 financial year. The plan anticipates further improvements in the Society's profitability but not, of course, at the significant rate of growth of the past three years.

The Board has confidence in the Society's key strategies. These, supported by our dedicated workforce, will be key to continuing our remarkable progress.

On behalf of the Board of Directors



Roger Myddelton - Secretary

24th March 2011

## Directors' Attendance Record from February 2010 to January 2011

### BOARD MEETINGS

Director	Meetings called to attend	Attendance
M Austin - President	12	11
J Martin - Vice President	12	9
A K Bearman	3	2
H Corby	9	9
P Dodd	12	12
C Fegan	12	9
L Gardner	12	10
P Green	12	10
A Price	12	9
J Saunders	9	9
R Simons	3	2
M Whalley	12	12

### AUDIT COMMITTEE

Director	Meetings called to attend	Attendance
M Austin	1	1
A Bearman as observer	1	-
L Gardner - Chair	4	4
J Martin	4	2
A Price as observer	4	3
J Saunders	3	3
R Simons	1	-

### REMUNERATION COMMITTEE

Director	Meetings called to attend	Attendance
M Austin - Chair	2	2
P Dodd	2	2
J Martin	2	2
J Saunders	2	2

### SUCCESSION PLANNING SUB-COMMITTEE

Director	Meetings called to attend	Attendance
M Austin	1	1
A Bearman	1	1
C Fegan - Chair	2	2
L Gardner	2	1
P Green	2	2
J Martin	2	2
A Price	2	1
R Simons	1	1
M Whalley	2	2

### MEMBERSHIP COMMITTEE

Director	Meetings called to attend	Attendance
L Bowser	8	7
H Corby	2	2
P Dodd	8	7
C Fegan	8	5
P Green	8	8
T Gunn	6	5
F Mockett	6	6
J Saunders	2	2
M Whalley - Chair	8	8

### MEMBERS' COUNCIL

Director	Meetings called to attend	Attendance
J Adams	3	3
S Cross	4	4
J Dorrington	3	3
D Edwards	4	3
T Gunn	1	1
C Henton	3	3
R Jones	1	1
F Mockett - current Chair	4	4
J Saunders - former Chair	1	1
B Sweeney	3	3
M Wallace	4	3

### TRUSTEES OF THE SUPERANNUATION FUND

Director	Meetings called to attend	Attendance
M Austin	5	5
H Corby	3	3
C Fegan	5	4
L Gardner	5	4
J Martin	5	3
R Simons	2	1
Employee Representatives	Meetings called to attend	Attendance
F Golden	5	4
I Paterson	5	4
A Price	5	5
A Reynolds	5	4

# Remuneration Report

## Year Ended 29th January 2011 To The Members

The Remuneration Committee has met on two occasions during the past year.

Roger Simons did not seek re-election to the Board and consequently relinquished his role on the Committee. Judy Saunders was appointed as the replacement. The Committee has been chaired throughout the year by the President, Maurice Austin; other members are Jan Martin, Vice President and Pauline Dodd.

The Society's Secretary, Roger Myddelton has acted as Secretary to the Committee throughout the year. The Society's Chief Executive Officer and Deputy Chief Executive Officer have been in attendance on some occasions. However, the fundamental 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.

The established practice of recording the minutes of each meeting which has taken place in the year and circulating the minutes to the whole Board, thereby ensuring that each Director is kept fully informed, has been maintained throughout the year.

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

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.

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.

### Independent External Advice

The Committee's principal External Advisor is the Co-operative Employers Association, their services have been utilised during the past year.

The Committee is also empowered to seek additional 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

As reported to members last year, a bonus or incentive scheme in respect of the Senior Executives has during the year, following a recommendation from this Committee, been approved by the Board of Directors.

The scheme will apply to financial results and other performance issues in respect of this financial year. Any payments under the scheme will be made during 2011 and reported in the financial statements for the year ended 28th January 2012.

Members will recall that in the financial year which ended on 30th January 2010, the Society reported record financial results, trading profit was up over 40%. A bonus which took into account this outstanding performance was paid to the Senior Executives this year and as is our practice is published in this report in the section showing Senior Executive Emoluments.

### Service Contracts

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

No Senior 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

All Senior Executives have continued to be remunerated on the basis of the Hay scale at the market median level.

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

### Directors' Emoluments

The total emoluments are detailed below.

The current scale of expenses paid as approved by the members at the Annual General Meeting held on 10th May 2010 is as follows:

- Daily Allowance - £22 Half-Day - £11
- Use of Own Vehicle - 40p per mile plus 6p per mile per passenger up to a maximum of four passengers, thereby encouraging car sharing.
- Daily Delegate Rate (No Overnight Stay) - £31 per day.
- Overnight Allowance (Bed, Breakfast, Evening Meal) - £94 per day.
- Travel - 2nd Class Rail Fare - As incurred.
- Air Travel is only authorised in exceptional circumstances, having regard to the Society's policy on the environment.

No journeys by air have been undertaken in the past year.

The total fees paid in the year to members' representatives elected or appointed to serve on the Membership Committee or Members' Council amounted to £1,578.

Employees serving as Trustees of the Employees' Superannuation Fund were paid fees totalling £2,231 in the past year.

### BY ORDER OF THE BOARD



M P Austin -  
President and Chair of the Remuneration Committee  
24th March 2011

### Senior Executive Emoluments

	<b>A Gudgeon Chief Executive Officer</b>	<b>B Wood Deputy Chief Executive Officer</b>	<b>R Myddelton Head of Finance/ Secretary</b>
Date of Appointment	07.04.98	01.02.04	28.01.02
	£000	£000	£000
Basic Salary	144	107	99
Bonus	6	4	-
Benefits in Kind	21	7	10
Employer's Pension Contributions (at current service cost)	17	13	12
<b>Total Emoluments</b>	<b>188</b>	<b>131</b>	<b>121</b>

### Directors' Emoluments

	£
M Austin - President	7 477
J Martin - Vice President	5 899
A Bearman (until May 2010)	586
H Corby (from May 2010)	1 820
P Dodd	3 077
P Green	3 228
C Fegan	4 635
L Gardner	3 879
A Price	2 453
J Saunders (from May 2010)	2 200
R Simons (until May 2010)	976
M Whalley	3 344
<b>Total Emoluments</b> (i.e. fees plus expenses)	<b>39 574</b>

# Succession Planning Report

## To Members

The Society's Board of Directors has formed a Succession Planning Sub-Committee, which has been charged with developing a formal and transparent policy for the development and when necessary, recruitment of Senior Executives into the Society in accordance with the needs of succession.

Members will be aware that the Society's Chief Executive Officer and Head of Finance & Secretary are both in the latter stages of their Co-operative careers and that this is therefore a very relevant matter and one that is very important to the Society's future wellbeing.

During the course of this year, the Succession Planning Committee has come to a number of conclusions and has made some recommendations, which have been endorsed by the Board of Directors.

One key recommendation is that going forward the role of Secretary will be split from the Head of Finance (i.e. the current position) and two new positions will be created - Chief Financial Officer and Secretary. In the

interim, a new position of Secretarial Officer has also been created; this is an initiative to develop a Secretary using our internal talent, the success or otherwise of the initiative will be monitored and measured throughout the year.

Also during the past year, the Committee has reviewed and refined the role profiles for each of the four Senior Executive positions which are envisaged in the revised structure, i.e. Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer and Secretary.

The Committee has concluded that the Society's succession planning must include giving every encouragement to our internal candidates, whilst benchmarking against what is available externally.

At the present time, the Committee is giving consideration to using the services and expertise of an external recruitment consultant to assist in the process, as yet no firm conclusion has been reached.

At all stages of the Committee's deliberations, the views and opinions of our Chief Executive Officer have been sought and it is envisaged that the Chief

Executive Officer will be involved in the recruitment of any new Senior Executive. The ultimate responsibility is of course with the Board.

At this stage, the Committee believes that it has made good progress and is comfortable with the timescales for succession.

It is hoped that this report is helpful to the members.

C Fegan – Chair

Succession Planning Committee

24th March 2011

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## 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<sup>UK</sup> Limited's Corporate Governance Code of Best Practice Volume 1.

### Board Certification

The financial statements on pages 13 to 27 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

24th March 2011

# Directors' Statement on Corporate Governance

## Internal Control

The Group operates under the Co-operatives<sup>UK</sup> 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. The Audit Committee has 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; the committee reports annually to the Members.

More recently the board appointed a **Succession Planning Committee**, responsible for ensuring that a process is in place to deal with the recruitment and appointment of suitable candidates into Senior Management positions when vacancies arise, recognising the respective merits of both internal and external applicants. Its first report to members is published on page 11.

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 included, 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 of Directors;

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 itself 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 Audit, Remuneration, Membership and Succession Planning Committee reports and Pension Fund Trustee and Members' Council Meeting minutes.

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 29 January 2011 with comparative figures for 52 weeks ended 30 January 2010.

## Basis of Consolidation

The Group Accounts 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, 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 Limited.

## 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 9 May 2011, the directors' intend to propose a Share of the Profits in the region of £90,000 in respect of the year ended 29 January 2011. In accordance with FRS 21 this amount is not 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 deficit is split between operating charges, finance items and, in the Statement of Total Recognised Gains and Losses, actuarial gains and losses.

## 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	<b>2% per annum</b>
Leasehold property	<b>over the unexpired portion of the lease</b>
Fixtures, Fittings and Computer Equipment	<b>10% per annum</b>
Transport vehicles	<b>25% per annum</b>
Funeral vehicles	<b>20% per annum</b>

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.

## Liquid Resources

Movements in all short-term investments and deposits not repayable on demand are reported under the heading of Management of Liquid Resources.

# Group Revenue Account

Year ended 29 January 2011

		2011 52 weeks		2010 52 weeks	
	Note	£	£	£	£
GROSS TAKINGS			78 739 458		67 739 277
less Agency & Concession Turnover excluded under the provisions of FRS 5	1(a)		18 697 998		16 769 275
TURNOVER			<b>60 041 460</b>		50 970 002
Less Value Added Tax			<b>4 765 914</b>		3 404 450
NET SALES	1(b)		<b>55 275 546</b>		47 565 552
Cost of Sales			<b>36 526 001</b>		31 739 801
GROSS PROFIT			<b>18 749 545</b>		15 825 751
Expenses	2		<b>16 682 069</b>		14 417 453
TRADING SURPLUS			<b>2 067 476</b>		1 408 298
Exceptional Items	3		<b>(874 264)</b>		(51 038)
Surplus before Interest			<b>1 193 212</b>		1 357 260
Net Interest Payable	4	<b>310 674</b>		343 788	
Other Finance costs	24	<b>75 000</b>	<b>385 674</b>	147 000	490 788
SURPLUS FOR YEAR BEFORE DISTRIBUTIONS			<b>807 538</b>		866 472
Share Interest		<b>266 848</b>		229 971	
Grants & Donations	6	<b>144 002</b>	<b>410 850</b>	123 999	353 970
SURPLUS FOR YEAR BEFORE PAYMENTS TO MEMBERS			<b>396 688</b>		512 502
'Share of the Profits' to members			<b>81 609</b>		40 700
SURPLUS FOR YEAR BEFORE TAXATION			<b>315 079</b>		471 802
Taxation	7		<b>(100 000)</b>		(554 055)
SURPLUS FOR YEAR TO RESERVES			<b>415 079</b>		1 025 857

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

**As at 29 January 2011**

2011

2010

	Note	£	£	£	£
<b>USE OF FUNDS</b>					
FIXED ASSETS					
Intangible Assets	8		<b>3 708 858</b>		2 187 667
Tangible Assets	9		<b>13 717 393</b>		12 832 660
Investments	10		<b>62 299</b>		62 299
			<b>17 488 550</b>		15 082 626
CURRENT ASSETS					
Stocks		<b>3 180 613</b>		2 567 310	
Debtors & Prepayments	11	<b>2 378 527</b>		2 207 791	
Investments	10	<b>14 006</b>		1 010 284	
Bank		<b>111 823</b>		582 926	
Cash in hand		<b>313 741</b>		327 273	
		<b>5 998 710</b>		6 695 584	
CURRENT LIABILITIES					
Amounts falling due within one year:					
Creditors - Member Rewards/Dividend Liability		<b>173 670</b>		146 251	
- Trade	12	<b>4 125 844</b>		3 970 207	
- Sundry	12	<b>1 283 202</b>		937 942	
Loans - Banks	13	<b>620 117</b>		564 722	
- Other	13	<b>563 909</b>		469 315	
		<b>6 766 742</b>		6 088 437	
NET CURRENT (LIABILITIES)/ASSETS			<b>(768 032)</b>		607 147
TOTAL ASSETS LESS CURRENT LIABILITIES			<b>16 720 518</b>		15 689 773
LONG TERM LIABILITIES					
Amounts falling due after more than one year:					
Creditors - Funeral plans	12	<b>80 255</b>		88 155	
Loans - Bank	13	<b>5 541 417</b>		5 431 750	
- Other	13	<b>879 463</b>	<b>(6 501 135)</b>	959 500	(6 479 405)
Provisions for liabilities and charges	14		<b>1 218 785</b>		1 066 000
NET ASSETS EXCLUDING PENSION LIABILITY			<b>11 438 168</b>		10 276 368
Net Pension Liability	24		<b>1 920 630</b>		1 986 480
NET ASSETS			<b>9 517 538</b>		8 289 888
<b>FINANCED BY:</b>					
SHARE CAPITAL					
Current Interest Due	15	<b>6 749 302</b>		5 896 305	
	15	<b>248 003</b>	<b>6 997 305</b>	210 294	6 106 599
RESERVES					
General Reserve	16	<b>2 144 814</b>		1 806 600	
Non-Distributable Reserve	16	<b>375 419</b>	<b>2 520 233</b>	376 689	2 183 289
MEMBERS' FUNDS			<b>9 517 538</b>		8 289 888

The annexed notes form part of the financial statements.

# Group Cashflow Statement

Year ended 29 January 2011

	Note	2011 52 weeks £	2010 52 weeks £
<b>NET CASH INFLOW OPERATING ACTIVITIES</b>	<b>17</b>	<b>2 342 878</b>	2 892 232
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	<b>18</b>	<b>(497 934)</b>	(528 437)
TAXATION Corporation Tax Paid		<b>(14)</b>	-
CAPITAL EXPENDITURE, DISPOSALS AND FINANCIAL INVESTMENT	<b>19</b>	<b>(3 377 702)</b>	(1 143 658)
<b>NET CASH INFLOW (OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES &amp; FINANCING</b>		<b>(1 532 772)</b>	1 220 137
MANAGEMENT OF LIQUID RESOURCES Net Cash (added to) withdrawn from Investments		<b>996 278</b>	(1 003 959)
FINANCING	<b>20</b>	<b>51 859</b>	1 470 001
<b>INCREASE (REDUCTION) IN CASH</b>		<b>(484 635)</b>	1 686 179
<b>RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT</b>	<b>21</b>		
		£	£
Increase (Reduction) in Cash		<b>(484 635)</b>	1 686 179
Cash outflow/(inflow) from debt and finance leasing		<b>486 769</b>	(631 349)
Cash outflow/(inflow) from liquid resources		<b>(996 278)</b>	1 003 959
Change in Net Debt from cashflows		<b>(994 144)</b>	2 058 789
New Finance Leases		<b>(666 388)</b>	(586 688)
<b>MOVEMENT IN NET DEBT</b>		<b>(1 660 532)</b>	1 472 101
NET DEBT TO BEGIN YEAR		(5 504 804)	(6 976 905)
<b>NET DEBT TO END YEAR</b>		<b>(7 165 336)</b>	(5 504 804)

# Group Statement of Total Recognised Gains & Losses (STRGL)

Year ended 29 January 2011

	Note	2011 52 weeks £	2010 52 weeks £
Surplus for Year after taxation from Revenue Account		<b>415 079</b>	1 025 857
Actuarial Loss on pension scheme	<b>24</b>	<b>(67 500)</b>	(839 000)
Movement in deferred tax relating to pension scheme	<b>7</b>	<b>(9 365)</b>	234 920
<b>Total gains recognised since last Annual Report</b>		<b>338 214</b>	421 777

The annexed notes form part of the financial statements.

# Notes to the Financial Statements

## Note 1(a) Gross Takings Adjustment

As disclosed 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).

	<b>2011</b>	2010
	<b>52 weeks</b>	52 weeks
	<b>£</b>	£
Bill payments accepted in Food stores	<b>12 729 859</b>	10 618 080
Concession Takings including VAT (Non Food)	<b>4 166 405</b>	4 053 785
Agency turnover less commission (Travel)	<b>1 801 734</b>	2 097 410
	<b><u>18 697 998</u></b>	<u>16 769 275</u>

## Note 1(b) Net Sales

	<b>£</b>	£	
Food	<b>60 112 584</b>	51 236 687	
<i>less</i> Bill Payments	<b>12 729 859</b>	10 618 080	
	<b><u>47 382 725</u></b>	<u>40 618 607</u>	
Non-Food	<b>8 834 426</b>	7 995 346	
<i>less</i> Concession Sales	<b>3 466 600</b>	3 408 607	
	<b><u>5 367 826</u></b>	<u>4 586 739</u>	
Funeral Services	<b>1 495 080</b>	1 308 133	
Travel	<b>2 556 117</b>	2 909 255	
<i>less</i> Sales as Agent	<b>1 755 640</b>	2 056 783	
	<b><u>800 477</u></b>	<u>852 472</u>	
Rental Property Income	<b>229 438</b>	199 601	
	<b><u>55 275 546</u></b>	<u>47 565 552</u>	

## Note 2 Expenses

	<b>£</b>	£
Personnel Costs (Note 5b)	<b>8 406 233</b>	7 077 803
Occupancy Costs	<b>1 844 433</b>	1 529 119
Water and Energy Costs	<b>758 101</b>	700 549
Depreciation of owned assets	<b>845 400</b>	781 673
Depreciation of assets held under finance leases	<b>238 653</b>	204 785
Amortisation of intangible fixed assets	<b>203 809</b>	125 161
Auditors fee: - Audit	<b>24 825</b>	24 716
- Non Audit	<b>16 913</b>	15 350
Directors' & Committee Fees (Note 5f)	<b>43 383</b>	39 575
Other Expenses	<b>4 300 319</b>	3 918 722
	<b><u>16 682 069</u></b>	<u>14 417 453</u>

## Note 3 Exceptional Items

	<b>£</b>	£
Accelerated depreciation (Fixtures at George Yard Braintree, 2011)	<b>350 304</b>	51 038
Somerfield Integration costs charged by the Co-operative Group	<b>523 960</b>	-
	<b><u>874 264</u></b>	<u>51 038</u>

# Notes to the Financial Statements

## Note 4 Net Interest Payable

	2011 52 weeks £	2010 52 weeks £
Interest Payable (per Note 13)	<b>316 606</b>	353 767
<i>less</i>		
Interest Receivable (per Note 10)	<b>5 932</b>	9 979
	<b><u>310 674</u></b>	<b><u>343 788</u></b>

## Note 5 Employees

	2011 Number	2010 Number
a) The average number of employees during the year was:-		
Full-time	<b>209</b>	183
Part-time	<b>496</b>	467
	<b><u>705</u></b>	<b><u>650</u></b>

	2011 52 weeks £	2010 52 weeks £
b) The costs in respect of employees were:-		
Salaries and Wages	<b>7 683 512</b>	6 500 169
Social Security Costs	<b>541 668</b>	465 654
Pension Fund Costs - (Note 24)	<b>181 053</b>	111 980
	<b><u>8 406 233</u></b>	<b><u>7 077 803</u></b>

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

	2011 Number	2010 Number
£25001 - £35000	-	1
£35001 - £45000	1	-
£45001 - £55000	3	3
£55001 - £65000	1	1
£65001 - £75000	-	1
£105001 - £115000	1	1
£115001 - £125000	1	1
£155001 - £165000	-	1
£165001 - £175000	1	-

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

	2011 52 weeks £	2010 52 weeks £
Salaries	<b>573 686</b>	624 592
Bonuses	<b>16 000</b>	3 400
Taxable Benefits	<b>56 416</b>	56 990
	<b><u>646 102</u></b>	<b><u>684 982</u></b>
Employer's Pension Contributions at current service cost	<b>54 354</b>	36 901
	<b><u>700 456</u></b>	<b><u>721 883</u></b>

# Notes to the Financial Statements

## Note 5 Employees continued

	2011 52 weeks £	2010 52 weeks £
e) The total remuneration of the Chief Executive Officer (the highest paid employee) included above was as follows:-		
Salary	144 121	141 390
Bonus	6 000	-
Taxable Benefits	21 092	18 510
	<u>171 213</u>	<u>159 900</u>
Employer's Pension Contribution at current service cost	17 411	10 646
	<u>188 624</u>	<u>170 546</u>
f) Fees paid to Directors in respect of Board duties were:-		
	£	£
President including Sub-committee fees etc	7 477	7 418
Directors including Sub-committee fees etc	32 097	28 640
<b>Directors' fees</b>	<u>39 574</u>	<u>36 058</u>
Elected Committee Members' fees	1 578	1 433
Employee Trustees	2 231	2 084
Total paid to elected representatives	<u>43 383</u>	<u>39 575</u>

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

## Note 6 Grants and Donations

	2011 52 weeks £	2010 52 weeks £
Membership Committee	91 667	90 665
Co-op Party Grant	8 421	6 322
Donations, Bereavement Groups, Community Card etc	43 914	27 012
	<u>144 002</u>	<u>123 999</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

Effect of tax rate change on opening balance

Taxation on surplus on ordinary activity

£	£
(165 662)	(554 055)
65 662	-
<u>(100 000)</u>	<u>(554 055)</u>

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

#### Deferred tax

Effect of tax rate change on opening Pension Liability

Current year movement on net actuarial loss

Tax included in the Statement of Recognised Gains and Losses

£	£
27 590	-
(18 225)	(234 920)
<u>9 365</u>	<u>(234 920)</u>

### Current tax reconciliation

Surplus on ordinary activities before tax

Current tax at 28% (2010 28%)

Effects of:

Expenses not deductible for tax purposes

Additional deduction for Land remediation expenditure

Difference between depreciation and capital allowances

Other short term timing differences

Utilisation of tax losses and other deductions

Unexplained difference

**Total current tax charge for the period (see above)**

£	£
315 079	471 802
88 222	132 105
750 303	142 079
-	(548)
173	38 373
(36 057)	(51 365)
(802 641)	(260 643)
-	(1)
<u>-</u>	<u>-</u>

# Notes to the Financial Statements

## Note 8 Fixed Assets - Intangible Goodwill

	£
Cost at January 2010	2 966 210
Additions	1 725 000
	<u>4 691 210</u>
Amortisation at January 2010	778 543
Provided this year	203 809
	<u>982 352</u>
<b>Net Book Value - January 2011</b>	<b><u>3 708 858</u></b>
Net Book Value - January 2010	<u>2 187 667</u>

## Note 9 Fixed Assets - Tangible Owned and Leased

	Land & Buildings £	Fixtures & Fittings £	Motor Vehicles £	Total £
<b>Cost or valuation</b>				
Brought forward at January 2010	12 808 969	6 843 768	274 211	19 926 948
Additions	591 888	1 451 945	276 962	2 320 795
Disposals	-	-	(171 506)	(171 506)
Fully Written Off and Adjustments	(944 445)	(1 689 710)	-	(2 634 155)
	<u>12 456 412</u>	<u>6 606 003</u>	<u>379 667</u>	<u>19 442 082</u>
<b>Depreciation</b>				
Brought forward at January 2010	3 206 312	3 655 173	232 803	7 094 288
Disposals	-	-	(169 806)	(169 806)
Fully Written Off and Adjustments	(944 440)	(1 689 710)	-	(2 634 150)
Provided this year	Normal 299 765	746 458	37 830	1 084 053
	Accelerated 310 519	39 785	-	350 304
	<u>2 872 156</u>	<u>2 751 706</u>	<u>100 827</u>	<u>5 724 689</u>
<b>Net Book Value - January 2011</b>	<b><u>9 584 256</u></b>	<b><u>3 854 297</u></b>	<b><u>278 840</u></b>	<b><u>13 717 393</u></b>
Net Book Value - January 2010	<u>9 602 657</u>	<u>3 188 595</u>	<u>41 408</u>	<u>12 832 660</u>

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

	2011 £	2010 £
<b>At Cost less depreciation</b>		
Freehold	7 733 646	7 460 130
Freehold - Non Trading*	556 748	607 437
Short Leasehold	1 293 862	1 535 090
	<u>9 584 256</u>	<u>9 602 657</u>

\*Assets held for use in operating leases

# Notes to the Financial Statements

## Note 9 continued

### Finance Leases

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

	<b>Land &amp; Buildings</b>	<b>Fixtures &amp; Fittings</b>	<b>Motor Vehicles</b>	<b>Total</b>
	£	£	£	£
<b>Cost</b>				
Brought forward at January 2010	535 282	1 732 156	78 714	2 346 152
Additions	40 271	266 369	247 091	553 731
Leases expired and disposals	-	(13 010)	(56 958)	(69 968)
	<u>575 553</u>	<u>1 985 515</u>	<u>268 847</u>	<u>2 829 915</u>
<b>Depreciation</b>				
Brought forward at January 2010	49 190	314 848	56 606	420 644
Provided this year	22 759	179 606	36 288	238 653
Leases expired and disposals	-	(6 505)	(54 858)	(61 363)
	<u>71 949</u>	<u>487 949</u>	<u>38 036</u>	<u>597 934</u>
<b>Net Book Value - January 2011</b>	<u>503 604</u>	<u>1 497 566</u>	<u>230 811</u>	<u>2 231 981</u>
Net Book Value - January 2010	486 092	1 417 308	22 108	1 925 508

## Note 10 Investments

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

	<b>Fixed Assets</b>		<b>Current Assets</b>		<b>Interest</b>	
	2011	2010	2011	2010	2011	2010
	£	£	£	£	£	£
The Co-operative Group						
- Shares	61 270	61 270	-	-	3 666	3 942
- Loans	-	-	14 006	1 010 284	2 180	4 722
Other I & P Societies						
- Shares	1 029	1 029	-	-	-	-
	<u>62 299</u>	<u>62 299</u>	<u>14 006</u>	<u>1 010 284</u>	<u>5 846</u>	<u>8 664</u>
Statutory interest received					86	1 315
<b>Total Interest Receivable</b>					<u>5 932</u>	<u>9 979</u>
						per Note 4

## Note 11 Debtors

	<b>Receivable Within One Year</b>		<b>Receivable After One Year</b>		<b>Total per Balance Sheet</b>	
	2011	2010	2011	2010	2011	2010
	£	£	£	£	£	£
Customer Debts						
- Travel	558 801	691 763			558 801	691 763
- Funeral	185 727	182 657			185 727	182 657
- Property	22 504	19 904			22 504	19 904
- Others	906	10 496			906	10 496
Expenses						
- Prepayments	546 796	466 175			546 796	466 175
- Stocks	45 237	32 041			45 237	32 041
Trade Debts (Credits due)	894 589	706 446			894 589	706 446
Corporation Tax Repayable	-	-	20 723	20 709	20 723	20 709
Other Sundry Debts	103 244	77 600			103 244	77 600
	<u>2 357 804</u>	<u>2 187 082</u>	<u>20 723</u>	<u>20 709</u>	<u>2 378 527</u>	<u>2 207 791</u>

# Notes to the Financial Statements

## Note 12 Creditors

	Current - Falling Due Within One Year		Long Term - Falling Due After One Year	
	2011	2010	2011	2010
	£	£	£	£
Trade Creditors				
Ledgered	<b>3 234 925</b>	2 969 903		
Unledgered	<b>890 919</b>	1 000 304		
	<b>4 125 844</b>	3 970 207		
<b>Sundry Creditors</b>				
Holiday Pay	<b>56 834</b>	57 608		
Week in Hand Payroll	<b>129 385</b>	106 857		
Accrued Charges	<b>642 434</b>	374 700		
Sales Deposits	<b>75 247</b>	74 013		
VAT due to HM Revenue and Customs	<b>70 080</b>	80 870		
PAYE due to HM Revenue and Customs	<b>95 942</b>	79 609		
National Insurance due to HM Revenue and Customs	<b>98 158</b>	80 344		
Funeral Plans - former scheme	<b>8 917</b>	9 795	<b>80 255</b>	88 155
Other Members' Accounts	<b>9 344</b>	9 344		
Miscellaneous Creditors	<b>96 861</b>	64 802		
	<b>1 283 202</b>	937 942	<b>80 255</b>	88 155
TOTAL	5 409 046	4 908 149	80 255	88 155
<b>Trade Creditor Days</b> - Number of days	<b>24.1</b>	27.3		

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

## Note 13 Loans

	Falling Due Within One Year		Falling Due After One Year		Interest Payable	
	2011	2010	2011	2010	2011	2010
	£	£	£	£	£	£
Bank Overdraft (a)	-	-	-	-	<b>6 762</b>	7 376
Co-op Bank - Treasury Loans (b)	<b>468 665</b>	400 773	<b>4 088 015</b>	3 810 000	<b>149 436</b>	180 910
Allied Irish Bank Loans (c)	<b>97 138</b>	92 699	<b>777 885</b>	893 000	<b>16 600</b>	18 800
Clydesdale Bank Loans (d)	<b>54 314</b>	71 250	<b>675 517</b>	728 750	<b>20 522</b>	8 700
Bank Loans sub-total	<b>620 117</b>	564 722	<b>5 541 417</b>	5 431 750		
Finance Leases (e)	<b>563 909</b>	469 315	<b>879 463</b>	959 500	<b>123 286</b>	137 587
	<b>1 184 026</b>	1 034 037	<b>6 420 880</b>	6 391 250	<b>316 606</b>	353 373
Other Interest					-	394
<b>Total Interest Payable - see Note 4</b>					<b>316 606</b>	353 767

### Terms of Repayment

- (a) on demand
- (b) over 15 years from date of advance
- (c) over 15 years from date of advance
- (d) over 15 years from date of advance
- (e) over period of lease up to 5 years

### Details of Security

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

### Interest

- Bank base rate plus margin
- One loan fixed at 2.34375% plus margin
- Three loans at bank base rate plus margin
- Bank base rate plus margin
- Fixed rate (1.99%) plus margin
- Negotiated rates

## Note 13 Loans - continued

### Commitments

	Bank Loans		Finance Leases	
	2011	2010	2011	2010
	£	£	£	£
Loan amounts falling due:				
Current Liabilities - Within One Year	<b>620 117</b>	564 722	<b>563 909</b>	469 315
Between One and Two Years	<b>648 030</b>	639 477	<b>418 762</b>	441 149
Between Three and Five Years	<b>2 072 769</b>	2 118 769	<b>460 701</b>	518 351
In more than Five Years	<b>2 820 618</b>	2 673 504	-	-
Long Term Liabilities - After One Year	<b>5 541 417</b>	5 431 750	<b>879 463</b>	959 500
TOTAL	<u>6 161 534</u>	<u>5 996 472</u>	<u>1 443 372</u>	<u>1 428 815</u>

### Operating Leases

As at 29 January 2011 the Group had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings		Others	
	2011	2010	2011	2010
	£	£	£	£
Operating leases expiring:				
Within One Year	<b>60 050</b>	-	<b>41 014</b>	9 758
Between Two and Five Years	<b>84 700</b>	108 400	<b>43 204</b>	66 774
In more than Five Years	<b>870 850</b>	724 950	-	-
	<u><b>1 015 600</b></u>	<u>833 350</u>	<u><b>84 218</b></u>	<u>76 532</u>

## Note 14 Provisions for Liabilities and charges

	2011	2010
	£	£
<b>Provision for deferred tax</b>		
Short term timing differences	<b>(710 370)</b>	(772 520)
Losses	<b>(1 218 785)</b>	(1 066 000)
<b>Total deferred tax asset</b>	<u><b>(1 929 155)</b></u>	<u>(1 838 520)</u>

### Movement in provision

Provisions at 30 January 2010	<b>1 838 520</b>
Deferred tax charged in the Revenue Account in the period	<b>100 000</b>
Statement of Recognised Gains and Losses in the period	<b>(9 365)</b>
Provisions at 29 January 2011	<u><b>1 929 155</b></u>

# Notes to the Financial Statements

## Note 15 Share Capital

	2011	2010
	£	£
Balance to Begin Year	5 896 305	4 677 162
Interest Previous Year	210 294	206 377
Interest - Interim and account closure	18 844	19 678
Contributions	1 280 115	1 340 498
Dormant accounts reactivated	1 270	576
Sub total	<u>7 406 828</u>	<u>6 244 291</u>
Less Withdrawals	657 526	347 986
<b>Balance to End Year</b>	<u><b>6 749 302</b></u>	<u><b>5 896 305</b></u>

**Interest provided at 29 January 2011** (30 January 2010) 248 003 210 294

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

	2011	2010
	£	£
<b>A) General Reserve</b>		
<b>Balance to begin the year</b>	<b>1 806 600</b>	1 384 823
From Revenue account	415 079	1 025 857
From STRGL:		
Actuarial loss	(67 500)	(839 000)
Movement in pension scheme deferred tax	(9 365)	234 920
<b>Balance to End Year</b>	<u><b>2 144 814</b></u>	<u><b>1 806 600</b></u>
<b>B) Non-Distributable Reserve</b>		
Dormant Share Capital Balance to Begin Year	376 689	377 265
Transfers to Active Share Capital	(1 270)	(576)
<b>Balance to End Year</b>	<u><b>375 419</b></u>	<u><b>376 689</b></u>

## Note 17 Reconciliation of Operating Surplus to Net Cashflow from Operating Activities

	2011	2010
	52 weeks	52 weeks
	£	£
Trading Surplus	2 067 476	1 408 298
Exceptional charges	(874 264)	-
Grants and Donations	(137 380)	(124 047)
Depreciation	1 434 357	986 458
Amortisation of Goodwill	203 809	125 161
(Increase)/Decrease in Stocks	(613 303)	(94 016)
(Increase)/Decrease in Debtors	(170 722)	207 077
Increase/(Decrease) in Creditors	432 905	383 301
Net Cashflow from continuing operating activities	<u><b>2 342 878</b></u>	<u><b>2 892 232</b></u>

# Notes to the Financial Statements

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

	<b>2011</b>	2010
	<b>52 weeks</b>	52 weeks
	<b>£</b>	£
Interest Received	<b>10 604</b>	5 274
Interest Paid	<b>(189 488)</b>	(221 001)
Interest Element of Finance Lease Rentals	<b>(123 732)</b>	(136 459)
Share Interest Paid	<b>(195 318)</b>	(176 251)
	<b>(497 934)</b>	(528 437)
Net Cashflow for Returns on Investments and Servicing of Finance	<b>(497 934)</b>	(528 437)

## Note 19 Capital Acquisitions, Disposals and Financial Investment

	<b>£</b>	£
Purchase of Intangible Fixed Assets	<b>(1 725 000)</b>	(670 000)
Purchase of Tangible Fixed Assets	<b>(1 654 402)</b>	(472 658)
Purchase of Fixed Asset Investment	-	(1 000)
Proceeds from Tangible Fixed Assets	<b>1 700</b>	-
	<b>(3 377 702)</b>	(1 143 658)
Net Cashflow for Capital Expenditure Disposals and Financial Investment	<b>(3 377 702)</b>	(1 143 658)

## Note 20 Financing

	<b>£</b>	£
Share Capital increase	<b>817 906</b>	1 168 764
Other Bank Loan repayments	<b>(180 845)</b>	(163 236)
Co-operative Bank Treasury Loan repayments	<b>(404 093)</b>	(278 536)
Funeral Schemes	<b>(8 778)</b>	(3 112)
Capital Repayment of Finance Lease Rentals	<b>(651 831)</b>	(494 477)
New Bank Loans drawdown	<b>750 000</b>	1 567 598
Repayment of Pension Fund deficit	<b>(270 500)</b>	(327 000)
	<b>51 859</b>	1 470 001
Net Cashflow from Financing	<b>51 859</b>	1 470 001

## Note 21 Analysis of Net Debt

	<b>To Begin</b>	<b>Cash Flows</b>	<b>Non-Cash Changes</b>	<b>To End</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Debt due within one year	<b>(564 722)</b>	<b>(55 395)</b>	-	<b>(620 117)</b>
Debt due after one year	<b>(5 431 750)</b>	<b>(109 667)</b>	-	<b>(5 541 417)</b>
Finance Leases	<b>(1 428 815)</b>	<b>651 831</b>	<b>(666 388)</b>	<b>(1 443 372)</b>
	<b>(7 425 287)</b>	<b>486 769</b>	<b>(666 388)</b>	<b>(7 604 906)</b>
Cash at Bank and in Hand	<b>910 199</b>	<b>(484 635)</b>	-	<b>425 564</b>
Current Asset Investments	<b>1 010 284</b>	<b>(996 278)</b>	-	<b>14 006</b>
	<b>(5 504 804)</b>	<b>(994 144)</b>	<b>(666 388)</b>	<b>(7 165 336)</b>

## Note 22 Major Non-Cash Transactions

During the year the Society entered into finance lease arrangements with a total capital value of £666,388 (January 2010 - £586,688).

## Note 23 Capital Commitments

At 29 January 2011 there are capital commitments amounting to £137,000 not provided for in these financial statements (January 2010 - £134,000).

At 29 January 2011 no expenditure has been authorised by the Board of Directors, but not contracted (January 2010 - £2,260,000).

# 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 29 January 2011 by a qualified independent actuary. The service cost has been calculated using the projected unit method.

	At year end 29 January 2011	At year end 30 January 2010	At year end 31 January 2009
	£	£	£
<b>Change in benefit obligation</b>			
Benefit obligation at beginning of year	10 966 948	8 593 081	9 599 000
Current service cost	181 053	111 980	134 081
Interest cost	620 000	588 000	580 000
Member contributions	119 438	116 887	110 000
Past service costs	-	-	-
Actuarial (gains)/losses	780 000	1 922 000	(1 403 000)
Benefits paid	(374 905)	(365 000)	(427 000)
Benefit obligations at year end	<u>12 292 534</u>	<u>10 966 948</u>	<u>8 593 081</u>
<b>Analysis of defined benefit obligations</b>			
Plans that are wholly or partly funded	<u>12 292 534</u>	<u>10 966 948</u>	<u>8 593 081</u>
Total	<u>12 292 534</u>	<u>10 966 948</u>	<u>8 593 081</u>
<b>Change in plan assets</b>			
Fair value of plan assets at beginning of year	8 207 948	6 493 081	7 805 000
Expected return on plan assets	545 000	441 000	503 000
Actuarial gains/(losses)	712 500	1 083 000	(1 923 000)
Employer contributions	451 553	438 980	425 081
Member contributions	119 438	116 887	110 000
Benefits paid	(374 905)	(365 000)	(427 000)
Fair value of plan assets at year end	<u>9 661 534</u>	<u>8 207 948</u>	<u>6 493 081</u>
Funded Status	<u>(2 631 000)</u>	<u>(2 759 000)</u>	<u>(2 100 000)</u>
Unrecognised past service cost	-	-	-
Effect of surplus cap	-	-	-
Deferred tax	710 370	772 520	588 000
Net amount recognised	<u>(1 920 630)</u>	<u>(1 986 480)</u>	<u>(1 512 000)</u>
<b>Components of Pension cost</b>			
Current service cost	181 053	111 980	134 081
Interest cost	620 000	588 000	580 000
Expected return on plan assets	<u>(545 000)</u>	<u>(441 000)</u>	<u>(503 000)</u>
Other Finance costs	75 000	147 000	77 000
Past service costs	-	-	-
Total pension cost recognised in the Revenue Account	<u>256 053</u>	<u>258 980</u>	<u>211 081</u>
Actuarial losses immediately recognised	(67 500)	(839 000)	(520 000)
Effect of surplus cap	-	-	-
Total pension cost recognised in the STRGL	<u>(67 500)</u>	<u>(839 000)</u>	<u>(520 000)</u>
Cumulative amount of actuarial losses immediately recognised	<u>(4 165 500)</u>	<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 29 January 2011 £	Plan assets at 30 January 2010 £
Equities	66%	66%
Bonds	26%	26%
Real Estate	8%	8%
	<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 actual asset allocation to develop the expected long-term rate of return on asset assumption for the portfolio. This resulted in the selection of the 6.6% assumption for the year ending January 2011.

	Year ended 29 January 2011 £	Year ended 30 January 2010 £
Actual return on plan assets	<u>1 257 000</u>	<u>1 524 000</u>

#### Weighted average assumptions used to determine benefit obligations at

	29 January 2011	30 January 2010
Discount rate	5.5%	5.7%
Salary increases	4.9%	4.9%
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

	29 January 2011
Discount rate	5.7%
Expected long-term return on plan assets	6.6%
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

	29 January 2011	
	Male	Female
Member aged 65 (current life expectancy)	20.9	24.1
Member aged 45 (life expectancy at 65)	22.7	26.0

### Five year history

	Financial Year ending in January				
	2011	2010	2009	2008	2007
	£	£	£	£	£
Benefit obligations at year end	12 292 534	10 966 948	8 593 081	9 599 000	9 512 000
Fair value of plan assets at year end	9 661 534	8 207 948	6 493 081	7 805 000	7 706 000
Deficit	<u>(2 631 000)</u>	<u>(2 759 000)</u>	<u>(2 100 000)</u>	<u>(1 794 000)</u>	<u>(1 806 000)</u>
Difference between actual and expected return on scheme assets					
amount	712 500	1 083 000	(1 923 000)	(567 000)	175 000
percentage of scheme assets	7.0%	13.0%	(30.0%)	(7.0%)	2.0%
Experience losses on scheme liabilities					
amount	-	(26 000)	-	-	(274 000)
percentage of scheme liabilities	0%	0%	0%	0%	(3.0%)

### Contributions

The society expects to contribute 10.9% of members' pensionable wages along with a special contribution of no less than £300,000 to the fund in 2011/12 totalling around £460,000.

### Note 25 Subsidiary Society

At 29 January 2011 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.

# Independent Auditor's Report

## INDEPENDENT AUDITOR'S 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 29 January 2011 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. The financial reporting framework that has been applied to their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the society's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the society's directors; and
- the overall presentation of the financial statements.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the society's affairs as at 29 January 2011 and of its excess of income over expenditure for the year then ended; and
- 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.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

### LISA BARLING 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

24 March 2011

# Group Value Added Statement

Year ended 29 January 2011

	2011 52 weeks		2010 52 weeks	
	£	%	£	%
Turnover including Asset Sale Proceeds	<b>60 089 369</b>		50 970 002	
Less Value Added Tax	<b>4 765 914</b>		3 404 450	
<b>NET SALES</b>	<b>55 323 455</b>		47 565 552	
Less Bought-in Materials, Services and Net Book Value of Disposals	<b>43 426 671</b>		37 258 267	
<b>VALUE ADDED IN THE YEAR</b>	<b>11 896 784</b>		10 307 285	
<b>APPLIED AS FOLLOWS:</b>				
To Employees				
Net Pay	<b>6 291 143</b>		5 287 295	
Employees Income Tax, National Insurance and pension contributions	<b>1 392 369</b>		1 212 874	
Society contributions for National Insurance	<b>541 668</b>		465 654	
Society normal contributions to the pension fund	<b>181 053</b>		111 980	
	<b>8 406 233</b>	<b>70.7%</b>	7 077 803	68.7%
To Members and other providers of capital				
Share Interest	<b>266 848</b>		229 971	
Interest on bank loans	<b>193 320</b>		215 786	
Interest on other loans and leases	<b>123 286</b>		137 981	
Other finance costs - pension fund	<b>75 000</b>		147 000	
Rent payable	<b>1 071 488</b>		870 823	
	<b>1 729 942</b>		1 601 561	
less investment income and rents receivable	<b>(135 009)</b>		(190 016)	
	<b>1 594 933</b>	<b>13.4%</b>	1 411 545	13.7%
To Members and customers				
Share of the profits and 500 Club rewards	<b>157 096</b>		116 841	
Other member benefits and Donations	<b>43 914</b>		27 012	
Education/Member Relations	<b>91 667</b>		90 665	
	<b>292 677</b>	<b>2.4%</b>	234 518	2.3%
For the replacement of assets and expansion of the Society				
Depreciation	<b>1 287 862</b>		1 111 618	
Retained Pre-Tax Surplus	<b>315 079</b>		471 802	
	<b>1 602 941</b>	<b>13.5%</b>	1 583 420	15.3%
	<b>11 896 784</b>	<b>100.0%</b>	10 307 286	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 motion before the meeting may at any time during the course of the debate move "That the motion 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 motion under discussion, at once put the motion.
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 such complaint shall be brought before any such meeting 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**

25/27 Exchange Way, Chelmsford,  
Essex CM1 1XS • **01245 266752**

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 Spredaeagle Place, Ingatestone,  
Essex CM4 9EA • **01277 353124**

1 Fingrith Hall Road, Blackmore,  
Ingatestone, Essex CM4 0RU  
• **01277 822231**

62/64 Woodland Avenue, Hutton,  
Brentwood, Essex CM13 1HH  
• **01277 228042**

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**

Bridge End Lane, Great Notley, Braintree,  
Essex CM77 7GN • **01376 334644**

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**

157-159 Nevendon Road, Wickford,  
Essex SS12 0NY • **01268 766999**

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**

## Off Licence:

210 Main Road, Hawkwell, Hockley,  
Essex SS5 4EG • **01702 207577**

## 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**

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**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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