

interim

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

report & financial statements 28 weeks ended 13th August 2016



your local **independent** co-operative

Directors' Interim Report to Members

28 Weeks Ended 13th August 2016

To our Members

Your Board of Directors are pleased to present their Interim Report for the 28 week period, which ended on 13th August 2016.

Trading Review

The trading environment for the Society remains challenging, impacted by a number of factors including continued competition pressures in Food, the failure of established concession partners in Departmental Stores, an unprecedented year for events affecting tourism and the uncertainty of the impact of the Brexit decision.

During the period under review, many businesses have struggled and have been lost from our high street: My Local, BHS, Austin Reed Group, Low Cost Holiday Group to name a few.

Against this backdrop, your Society has recorded a 0.4% decline in sales excluding fuel or 0.6% on a "like for like" basis. Travel, which has struggled to maintain currency turnover, has been the major contributor to this reduction.

Food

Our Food division has recorded a "like for like" decrease of 0.3%, despite volume growth of 2.03% in core categories. Food deflation has continued to prevail in the period under review. Considerable progress has been made in enhancing the Food estate, with two stores being added to the portfolio; London Road, Leigh-on-Sea and Wood Lane, Dagenham. In addition, future acquisitions are in the pipeline.

As a result of continued losses at our Exchange Way store, the Board has taken the sad decision to close the store. The Society aims to protect the employment of all colleagues affected by the closure.

In the latter part of the year, the Society will continue to invest in the Food estate, by refurbishing Danbury and Melbourne food stores. In addition, a number of energy efficient investments are being trialled, aimed at delivering longer term efficiencies.

Your Society's Food business, including fuel, has recorded a "year on year" increase in trading profit of £63,129. It is anticipated that the Food division's trading profitability will grow with the expansion of the Food portfolio.

Department Stores

Your Department Store division has performed well in the period, achieving "like for like" growth of 2.1%. The ground floor at Chelmsford quadrant has undergone a major refurbishment during the year, with completion due in the latter half of the year. Investment in the store's signage and exterior has given the store a welcome refresh and update.

The real challenge for the Department Store division begins in the autumn with the opening of John Lewis in Chelmsford, but this also creates opportunities for your Society. Your Society has a strategy to attract and retain customers, as new shoppers are drawn to the city.

The turnaround strategy of your Society's Department Store business continues to make progress. Trading losses are in line with the expectations of the business plan at 2.2% compared to 1.8% last year.

Travel

Performance in your Travel business has been mixed; overall turnover is 5.6% down "year on year", with currency being the driving factor of the reduction. Holiday bookings in your Society's Travel business have increased by 10.3%, "year on year", predominantly driven by the Braintree branch. Innovations in the business include an online currency delivery service, providing a convenient service to members outside of Braintree and Chelmsford.

Despite a reduction in overall turnover, your Society's Travel business has performed well recording a trading profit of £11,914 ahead of last year.

Funerals

Your Society's Funeral business has maintained turnover at a similar level to last year, recording a "year on year" decline of 0.6%. Your Society's Funeral business has recorded a trading profit in the period on par with last year.

Investment Property

Your Society's Investment Property portfolio in the main consists of flats above our shops. During the period under review, gross income totalled £154k, a 4.5% increase "year on year".

Financial Review

The level of gross profit amounted to £12,069k compared to £11,678k last year. Our gross profit has grown by 3.3%.

Operating costs in the period have increased by £400k to £11,282k, with personnel costs being the largest contributing factor "year on year".

The National Living Wage will have an ongoing impact on the Society's operating costs. Despite this, trading profit amounted to £777k or 1.5% ahead of the expectations of the business plan.

Net profit or profit before distributions amounts to £645k. This compares to £620k last year, helped by a reduction in bank interest.

The net debt at week 28 amounted to £3,940k, compared to £5,324k last year.

The Society's gearing level at just 19.4% compared to 39.7% last year demonstrates that the Society has sufficient headroom to continue investing in opportunities. The Society continues to operate comfortably within its bank covenants.

Membership

Membership activities are fully reported within the quarterly membership publication, Starlight. A full report shall be provided in the Society's Annual Report.

Charity of the Year

A total of £27,715 was raised for the Society's Charity of the Year, South East & Central Essex MIND. Your Directors would again like to express their appreciation to all colleagues, members and customers whose support and effort raised this considerable sum.

Following a colleague ballot, this year's Charity of the Year is Kids Inspire.

Prospects for the Remainder of the Year

The performance in the first 28 weeks is highly encouraging, given the economic and retail challenges facing us. The Society is demonstrating the robust and resilient nature of our business.

Your Society continues to adapt to the challenges; whilst it is still early days, the strategies in place are beginning to pay dividends.

The Board of Directors
August 2016

Statement of Trading Activities

28 Weeks Ended 13th August 2016 compared with 28 weeks to 15th August 2015

SUMMARY CONSOLIDATED REVENUE ACCOUNT

	Note	28 weeks 13th August 2016 £000	28 weeks 15th August 2015 £000
Gross Takings		55 146	55 478
less Agency and Concession Turnover excluded	1(a)	11 763	12 318
Sales		43 383	43 160
less Value Added Tax		(4 007)	(3 893)
Turnover	1(b)	39 376	39 267
Cost of Sales		(27 307)	(27 589)
Gross Surplus		12 069	11 678
Trading Expenses excluding Depreciation		(10 432)	(10 073)
Trading Surplus before Depreciation		1 637	1 605
Depreciation		(860)	(820)
Trading Surplus		777	785
Investment Income		38	-
Surplus before Interest		815	785
Net Interest Payable		(103)	(130)
Other Finance costs		(67)	(35)
Surplus before Distributions		645	620

Note 1(a) Gross Takings Adjustment

The Group has applied FRS 102 in reporting its Turnover.

The effect is to exclude the Takings (including VAT) disclosed in Note 1(a) from Turnover.

		28 weeks 13th August 2016 £000	28 weeks 15th August 2015 £000
Bill Payments – Food		8 273	8 643
Concession Takings including VAT – Non Food		1 767	1 951
Agency turnover less commission – Travel		1 723	1 724
Amount excluded from 'Turnover' per FRS 102		11 763	12 318
Note 1(b) Net Sales	£000		£000
Food	40 102		40 307
less Bill Payments	8 274		8 643
Food Stores		31 828	31 664
Department Stores	4 524		4 429
less Concession Sales	1 460		1 606
Department Stores		3 064	2 823
Funeral Services		1 044	1 050
Travel	4 965		4 267
less Sales as Agent	1 685		1 691
Travel		3 280	2 576
Property - Rental Income		160	154
		39 376	38 267

Statement of Trading Activities

28 Weeks Ended 13th August 2016 compared with 28 weeks to 15th August 2015

CONSOLIDATED NET ASSETS

	As at 13th August 2016 £000	As at 15th August 2015 £000
Fixed Assets	25 547	19 912
Current Assets	8 952	8 629
Current Liabilities	(8 792)	(7 889)
Long Term Liabilities – Loans	(3 980)	(5 154)
Net Pension Liability	(2 762)	(2 954)
Provisions – Liabilities and Charges	1 336	850
NET ASSETS	20 301	13 394

CONSOLIDATED MEMBERS' FUNDS

Share Capital	10 479	9 152
Reserves	9 822	4 242
MEMBERS' FUNDS	20 301	13 394

CONSOLIDATED CASH FLOW

Net Cash Flow from Operating Activities	2 322	2 418
Servicing of Finance and Returns on Investment	(385)	(382)
Capital Expenditure, Disposals & Financial Investment	(1 340)	(866)
Net Cash inflow before Management of Liquid Resources and Financing	597	1 150
Management of Liquid Resources	(1)	(1)
Financing	(287)	(379)
Increase in Cash	309	770

CONSOLIDATED NET DEBT

Cash at Bank and in Hand	1 216	1 245
Short Term Deposits	12	9
	1 228	1 254
Bank Overdraft	-	-
Loans	(3 842)	(4 828)
Finance Leases	(1 326)	(1 750)
	(3 940)	(5 324)

The Statement of Trading Activity has been prepared using the same Accounting Policies as were utilised to produce the Society's published Financial Statements as at 30 January 2016.

**Chelmsford Star -
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