

interim

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

report & financial statements 28 weeks ended 15th August 2015



your local **independent** co-operative

Directors' Interim Report to Members

28 Weeks Ended 15th August 2015

To our Members

Your Board of Directors are pleased to present our Interim Report for the 28 week period, which ended on 15th August 2015.

Trading Review

Declining sales for many retailers has been widely reported. Large food retailers have invested heavily in price to protect market share. In an attempt to reduce costs, retailers are reviewing systems, structures and resources, which help to fund margin declining promotional activity.

Against this backdrop, it is pleasing to report, excluding fuel, a "like for like" sales increase of 0.5% for the period under review. Growth has been achieved as a result of strong performance within the Society's specialist retail, i.e. Department Stores, Travel and Funerals.

Our Food division has recorded a "like for like" decrease in gross sales of 2.1%, impacted by food price deflation, increased competition and changes to consumer spending habits. Whilst these challenges are nothing new to food retail, they normally occur in isolation. During the period under review all these factors have worked against the Society's Food business.

In the period under review, Broomfield, Beehive Lane and Hawkwell were refurbished and approval has been granted for Havengore and Springfield to receive a refurbishment. On the basis of the successful performance of previously refurbished stores, these refurbishments are envisaged to drive an increase in turnover during the second half of the year.

Your Society's Food business, including fuel has recorded a decrease in trading profit of £411,563 "year-on-year". It is highly likely that the business will not be able to reverse the trend of the first 28 weeks, however work is underway to mitigate the rate of decline.

Our Departmental Store division has performed well in the period, achieving "like for like" growth of 7.7%. Fashion sales have performed particularly well within the period, despite unseasonable weather. New brands have been successfully introduced into the quadrants and work is underway for further changes in the next twelve months prior to John Lewis opening.

Your Society's Department Store business continues to reduce its trading losses. These are now 1.8% compared to 3.2% last year, and are

ahead of that envisaged in the business plan.

Our Travel business continues to outperform all expectations, achieving "like for like" growth of 15.3%. Trade in both branches in holiday bookings and currency sales remains strong.

Your Society's Travel business has recorded a trading profit comfortably ahead of that envisaged in the business plan, achieving an increase of 32% "year on year".

Our Funeral business has had an exceptional start to the year, achieving "like for like" growth of 4.5%. This has been achieved despite increased local competition. During the period investment has been made in the Society's Funeral fleet, with the Daimler hearse and two limousines being replaced with Jaguars to match the existing fleet. Your Society's Funeral business has recorded trading profit in the period in excess of the expectations of the business plan, achieving an increase of 9% "year on year".

Your Society's investment property portfolio in the main consists of flats above our shops. During the period the first floor at Copleston Court, which had been vacant since December 2012, has been let. Gross income in the period amounted to £148k, a "year on year" increase of 19.6%.

Financial Review

The level of gross profit amounted to £11,668,368 compared to last year £11,778,536; our income has reduced by £110,165 or 0.9%, impacted by a lower level of sales generated from the Food business.

Net profit, or surplus before distributions, amounts to £620,335. This compares to £790,384 last year.

Given the reduction in the Society's profitability, the Board continues to review and monitor operating costs closely, whilst considering operational efficiencies. During the period under review, three redundancies have been made from the Head Office function, including the part-time position in the Membership department. No further redundancies are planned. A number of initiatives are underway to further protect the Society's profitability.

The net debt at week 28 amounted to £5,323,861 compared to £7,102,884.

The Society continues to operate within its bank covenant requirements. The bank is aware of the challenges facing the Society and the retail environment nationally, and remains supportive of the Society.

Membership

Membership activities are reported quarterly within the Society's membership publication – Starlight and shall be reported in full in the Society's Annual Report.

Charity of the Year

A total of £38,734 was raised for the Society's Charity of the Year, the J's Hospice. Your Directors would again like to express their appreciation to all colleagues, members and customers whose support and effort achieved another record breaking amount. Your Society has now raised over £¼ million for local charities within the past eight years.

Following a colleague ballot, this year's charity is MIND South East & Central Essex.

Prospects for the Remainder of the Year

Performance in the first 28 weeks demonstrates the strength of the Society's specialist retail, which have to a degree mitigated the effect of the decline in the Food business, demonstrating that the Society's business remains robust.

Your Directors are aware that in the current retail environment opportunities to expand the estate are few and far between, and are necessary for the Society to keep delivering growth. The Board is pleased to report that approval has been granted for a Food acquisition, to strengthen the Society's estate.

With no sign of the external pressures and challenges easing during the second half of the year, it would be naïve to predict a significant improvement in profitability.

Your Directors are of the opinion that profitability for the full year is likely to be below the level achieved last year, given the position at the interim. The Board is confident that the measures and initiatives implemented will protect the Society's profitability to year end, and more importantly provide the foundation for next year.

The Board of Directors
August 2015

Statement of Trading Activities

28 Weeks Ended 15th August 2015 compared with 28 weeks to 9th August 2014

SUMMARY CONSOLIDATED REVENUE ACCOUNT

	Note	28 weeks 15th August 2015 (Unaudited) £000	28 weeks 9th August 2014 (Unaudited) £000
Gross Takings		55 478	55 228
less Agency and Concession Turnover excluded under the provisions of FRS5	1(a)	12 318	12 042
Sales		43 160	43 186
less Value Added Tax		(3 893)	(3 954)
Turnover	1(b)	39 267	39 232
Cost of Sales		(27 589)	(27 444)
Gross Surplus		11 678	11 788
Trading Expenses excluding Depreciation		(10 073)	(10 045)
Trading Surplus before Depreciation		1 605	1 743
Depreciation		(820)	(773)
Trading Surplus		785	970
Net Interest Payable		(130)	(145)
Other Finance costs		(35)	(35)
Surplus before Distributions		620	790

Note 1(a) Gross Takings Adjustment

The Group has adopted the FRS 5 application note in reporting its Turnover. The effect is to exclude the Takings (including VAT) disclosed in Note 1(a) from Turnover.

	28 weeks 15th August 2015 (Unaudited) £000	28 weeks 9th August 2014 (Unaudited) £000
Bill Payments – Food	8 643	8 604
Concession Takings including VAT and Bill Payments – Non Food	1 951	1 932
Agency turnover less commission – Travel	1 724	1 506
Amount excluded from 'Turnover' per FRS 5	12 318	12 042

Note 1(b) Net Sales

	£000	£000
Food	40 307	40 966
less Bill Payments	8 643	8 604
Food Stores	31 664	32 362
Department Stores	4 429	4 232
less Concession Sales	1 606	1 589
Department Stores	2 823	2 643
Funeral Services	1 050	1 004
Travel	4 267	4 568
less Sales as Agent	1 691	1 477
Travel	2 576	3 091
Property - Rental Income	154	132
	38 267	39 232

Statement of Trading Activities

28 Weeks Ended 15th August 2015 compared with 28 weeks to 9th August 2014

CONSOLIDATED NET ASSETS

	As at 15th August 2015 (Unaudited) £000	As at 9th August 2014 (Unaudited) £000
Fixed Assets	19 912	19 879
Current Assets	8 629	7 924
Current Liabilities	(7 889)	(8 005)
Long Term Liabilities – Loans	(5 154)	(6 098)
Net Pension Liability	(2 954)	(1 877)
Provisions – Liabilities and Charges	850	1 073
NET ASSETS	13 394	12 896

CONSOLIDATED MEMBERS' FUNDS

Share Capital	9 152	7 926
Reserves	4 242	4 970
MEMBERS' FUNDS	13 394	12 896

CONSOLIDATED CASH FLOW

Net Cash Flow from Operating Activities	2 418	2 373
Servicing of Finance and Returns on Investment	(382)	(382)
Capital Expenditure, Disposals & Financial Investment	(866)	(944)
Net Cash inflow before Management of Liquid Resources and Financing	1 150	1 047
Management of Liquid Resources	(1)	(1)
Financing	(379)	(229)
Increase/(Decrease) in Cash	770	817

CONSOLIDATED NET DEBT

Cash at Bank and in Hand	1 245	541
Short Term Deposits	9	6
	1 254	547
Bank Overdraft	-	(4)
Loans	(4 828)	(5 890)
Finance Leases	(1 750)	(1 755)
	(5 324)	(7 102)

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 31 January 2015.

**Chelmsford Star -
the Co-operative**
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