

# interim

report & financial statements 28 weeks ended 12th August 2023

Chelmsford Star -  
the Co-operative

at the heart of our community

Since 1867



your local **independent** co-operative



# Directors' Interim Report to Members

## 28 Weeks Ended 12th August 2023

### To the Members

Your Board of Directors has the responsibility to report to you on your Society's performance for the interim period, covering 28 weeks to 12th August 2023.

### Economic Background

In our last report to members covering the year ending 28th January 2023, we referred to continuing challenges for the Society as we adjusted to life post-pandemic and a cost-of-living crisis that saw inflation rise to a 40-year high and interest rates reach a 15-year high. In addition, the ongoing effects of the war in Ukraine and its impact on energy and commodity prices has been felt across the business.

Despite the current economic challenges, your Board of Directors is comfortable that your Society continues to deliver acceptable results and has demonstrated its resilience in facing challenges when needed.

### Financial

Your Society's gross takings for the period under review totalled £59,034k, reflecting "year on year" growth of 1.7%. Unfortunately, we are currently in a position where every area of our business is falling short of budget on a year-to-date basis, with Travel experiencing the most challenges at the gross takings level.

Gross profit for the period under review amounted to £13,925k, representing "year on year" growth of 3.88%.

Operating costs within the period totalled £13,816k, a £525k or 3.95% increase on last year. In the main, the cost areas that have continued to see increases in the period under review are: energy costs, occupancy costs and legal/professional costs. The high increase in the National Living Wage in April has added further pressure to operating costs but has been well received by colleagues.

At the end of the period under review, the Society has made a trading profit of £109k, a "year on year" decrease of £4k or 3.54%, indicating the Society is managing to hold its own in a difficult market, albeit the performance is slightly below the business plan.

Year to date, gross profit totalled £13,925k, a shortfall to budget of £220k or 1.56% but grew "year on year" by £520k or 3.88%.

On a year-to-date basis, only Food and Fuel have managed to meet the budgeted gross profit at the end of the period under review.

### Food

Gross takings, excluding fuel, bill payments and lottery services, amounted to £40,470k. The food division continues to be affected by the cost-of-living crisis impacting shoppers' budgets. Offers to support members, such as 10% off Wednesday afternoons, are ongoing and store specific offers are also available to members.

Your Society continues to explore services to add value for shoppers including the introduction of Pret coffee machines, enhancing the Food to Go offer available in store, and Evri and InPost parcel collection lockers, making our stores key destinations for our communities. A new food store format has been developed and has just been launched in our Leigh-on-Sea store. The work undertaken to improve the store will hopefully generate a 10% sales increase over pre-refit levels. This in turn will increase

profitability and help to reduce stockholding in the store by 5% through ranging the store based on demographics and sales patterns, rather than simply filling space. Plans are now underway to line up the next stores to receive the new food store format.

In 2021, the Society partnered with Snappy Shopper to provide customers with a grocery home delivery service. Work is ongoing to explore ways to make Snappy Shopper a viable option and service for our business. Raising awareness is a crucial element of making Snappy Shopper a success for the Society. During Co-op fortnight (19th June – 2nd July 2023) we took the opportunity to offer a free basket of shopping, via Snappy Shopper, to NHS staff and community groups with the option to save money on future purchases through the use of discount codes.

The Food division continues to be impacted the most by the increased costs for the Society, particularly for energy costs and distribution costs.

Your Society's Food business has generated a trading profit of £1,589k during the period under review, a "year on year" increase of £336k or 26.82%. It is pleasing to see the Food business showing an improving trend.

### Department Stores

Gross takings for the period under review totalled £3,763k, a "year on year" decrease of 4.8%.

Last year the Society launched its online store for housewares, a select range of Cookshop, tableware and kitchen electricals. The uptake of the online shop has been gradual, but work is ongoing to expand the product ranges available to buy online and raise awareness of the website using our social media channels. A recent introduction of 'when it's gone, it's gone' offers advertised through social media, has had a positive impact on online sales and increased traffic to the website.

Your Society's strategy remains to mitigate the trading losses generated by the Department Store business. In the period under review, trading losses totalled £256k, a "year-on-year" increase of £183k or 251%.

The weaknesses at department level are both furniture and own bought fashions, with both areas seeing a further deterioration in the position relative to budget. However on a positive note, the level of new orders for furniture is improving.

The Board and Management continue to actively review options for minimising the risk of Department Stores' performance on the overall Society.

### Travel

Our Travel business' gross takings totalled £2,698k. Travel has seen many challenges in the period under review, mainly due to staffing and lost market share. The focus in the second half of the year is to stabilise staffing and drive footfall back into branch, ready to ensure we can manage the demand during the January peak booking season.

In the period under review, trading profit totalled £35k, a "year on year" decrease of £3k or 7.89%.

### Funerals

Our Funerals business' gross takings totalled £1,236k in the period, a 3.9% increase "year on year".

It is important to continue to work on raising awareness of our funeral business to extend the reach of our services. The Society's newest branch in

Basildon has now begun to embed into the community and provide a caring, dedicated service to families.

Trading profit in the period totalled £134k, a "year on year" decrease of £14k or 9.52%.

### Investment Property

Our investment portfolio in the main consists of flats above our shops. The Society does have a commercial property at Duke Street, Chelmsford, which is occupied.

During the period under review, gross income totalled £199k.

### Membership

Members are rewarded annually with a share of the profit payment. In May 2023, the conversion rate of £3.00 per 1,000 points was approved by members at the Annual General Meeting. Members also benefit from discounts for future purchases, discounted member trips, exclusive events, and coffee mornings.

The Society launched a members' portal, providing members with access to their membership account and dividend balance. In addition, the portal will provide additional member only offers, which will regularly change and provide members with a further benefit.

Our members are part owners of the Society and can have the opportunity to have a say in how the Society is run. This can be demonstrated by attending members' meetings or standing for election.

For a full report on membership activities, please refer to the latest edition of Starlight, our members' magazine.

### Chelmsford Star Community Fund

The Society introduced the Chelmsford Star Community Fund in 2021, in conjunction with Essex Community Foundation. Quarterly, the Membership Committee reviews applications received and awards funding. Since working with Essex Community Foundation, almost £50k has been awarded, initially as part of the coronavirus response and recovery fund and subsequently via the Chelmsford Star Community Fund. During the period under review, funding has been awarded to Seabrook Rise Community Association, South Essex Advocacy Service, London Bus Theatre CIC, Wilderness Foundation UK, Hockley & Hawkwell Day Centre, Humpty Dumpty Pre-School Southend, Basildon MIND, Braintree Youth Project Charity and Yantlet Residents Garden Club.

The Society continues to support community groups for varying causes across our trading estate.

### Prospects for the Remainder of the Year

The challenges of the first half will continue, and potentially cost pressures will continue to escalate into the second half of the year.

The Board is closely monitoring the performance and plans for the second half of the year, whilst being realistic about the expectations for year-end. The Society is not alone in the challenges it is facing, however that does not make addressing and resolving these any easier.

Your Board remains confident in the management team during these difficult times.

### The Board of Directors

# Statement of Trading Activities

28 Weeks Ended 12th August 2023 compared with 28 weeks to 13th August 2022

## SUMMARY CONSOLIDATED REVENUE ACCOUNT

	Note	28 weeks 12th August 2023 £000	Unaudited 28 weeks 13th August 2022 £000
<b>Gross Takings</b>		<b>59 034</b>	58 071
less Agency and Concession Turnover excluded	<b>1(a)</b>	<b>6 970</b>	6 826
<b>Sales</b>		<b>52 064</b>	51 245
less Value Added Tax		<b>(5 129)</b>	(5 100)
<b>Turnover</b>	<b>1(b)</b>	<b>46 935</b>	46 145
Cost of Sales		<b>(33 010)</b>	(32 739)
<b>Gross Surplus</b>		<b>13 925</b>	13 406
Trading Expenses excluding Depreciation		<b>(13 055)</b>	(12 498)
<b>Trading Surplus before Depreciation</b>		<b>870</b>	908
Depreciation		<b>(761)</b>	(794)
<b>Trading Surplus</b>		<b>109</b>	114
Exceptional Income		<b>121</b>	121
<b>Surplus before Interest</b>		<b>230</b>	235
Net Interest Payable		<b>(52)</b>	(44)
Other Finance costs		<b>(67)</b>	(67)
<b>Surplus before Distributions</b>		<b>111</b>	124

### 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 12th August 2023 £000	Unaudited 28 weeks 13th August 2022 £000
Bill Payments – Food		<b>5 662</b>	5 642
Concession Takings including VAT and bill payments – Non Food		<b>1 118</b>	1 020
Agency turnover less commission – Travel		<b>190</b>	164
Amount excluded from 'Turnover' per FRS 102		<b>6 970</b>	6 826
<b>Note 1(b) Net Sales</b>	<b>£000</b>		£000
Food	<b>46 421</b>		45 110
less Bill Payments	<b>5 662</b>		5 642
<b>Food Stores</b>		<b>40 759</b>	39 468
Department Stores	<b>3 183</b>		3 360
less Concession Sales	<b>925</b>		843
<b>Department Stores</b>		<b>2 258</b>	2 517
<b>Funeral Services</b>		<b>1 220</b>	1 173
Travel	<b>2 666</b>		2 931
less Sales as Agent	<b>158</b>		138
<b>Travel</b>		<b>2 508</b>	2 793
<b>Property - Rental Income</b>		<b>190</b>	194
		<b>46 935</b>	46 145

# Statement of Trading Activities

28 Weeks Ended 12th August 2023 compared with 28 weeks to 13th August 2022

## CONSOLIDATED NET ASSETS

	12th August 2023 £000	Unaudited 13th August 2022 £000
Fixed Assets	16 150	16 940
Current Assets	9 474	9 511
Current Liabilities	(10 666)	(10 383)
Long Term Liabilities – Loans	(620)	(1 228)
Net Pension Asset	960	337
Provisions – Liabilities and Charges	(588)	(79)
NET ASSETS	14 710	15 098

## CONSOLIDATED MEMBERS' FUNDS

Share Capital	8 301	8 673
Reserves	6 409	6 425
MEMBERS' FUNDS	14 710	15 098

## CONSOLIDATED CASH FLOW

Net Cash Flow from Operating Activities	1 535	1 755
Servicing of Finance and Returns on Investment	(265)	(263)
Taxation	-	-
Capital Expenditure, Disposals & Financial Investment	(183)	(403)
<b>Net Cash inflow before Management of Liquid Resources and Financing</b>	<b>1 087</b>	<b>1 089</b>
Management of Liquid Resources	(1)	(1)
Financing	(887)	(1 567)
<b>Increase/(Decrease) in Cash</b>	<b>199</b>	<b>(479)</b>

## CONSOLIDATED NET DEBT

Cash at Bank and in Hand	2 186	3 008
Short Term Deposits	30	27
	2 216	3 035
Bank Overdraft	-	-
Loans	(834)	(1 570)
Finance Leases	(928)	(555)
	454	910

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 28 January 2023.

**Chelmsford Star -  
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at the heart of our community

*Since 1867*

### Registered Office

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