

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

annual

report & financial statements 53 weeks ended 31st January 2015



your local **independent** co-operative

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Directors, Management Executive and Advisers As at 31st January 2015

BOARD OF DIRECTORS

President (appointed by the Directors)
Mrs P R Dodd

Directors

Mr R Simons – Vice President
Mr F P L Gardner
Mrs P Green
Mr C Henton
Mrs J E Martin
Mr A W Price
Mrs J Saunders
Mrs S Sullivan
Mr M F R Whalley

MANAGEMENT EXECUTIVE

Mr K Bennett
– Head of Membership
Mr P Hampshire BSc (Hons) MCIOB
– Head of Estates
Miss V J Howard
– Head of Marketing & PR
Mr S Roger
– Head of Department Stores
Mrs A Rowland
– Head of Human Resources
Mrs E Tredwin BA (Hons)
– Secretary
Miss L Waghorn FCCA ACA
– Chief Financial Officer
Mr B J Wood MCMI CIRM
– Chief Executive Officer

ADVISERS

Auditors

Bird Luckin, Aquila House
Waterloo Lane, Chelmsford CM1 1BN

Solicitors

Tees, Stonebridge House
Stonebridge Walk, Chelmsford CM1 1EY

Principal Banker

The Co-operative Bank Plc
1 Balloon Street
Manchester M60 4EP

REGISTERED OFFICE

220 Moulsham Street
Chelmsford CM2 0LS
Registered Number 973R Essex
Web address: www.chelmsfordstar.coop

Notice is hereby given that the **Annual General Meeting of Members** will be held on **Monday 11th May 2015** 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 28th April 2014.**
- 2. Directors' Report and Financial Statements for the year ended 31st January 2015.**
- 3. Ratification of the Share of the Profits at £7.00 per 1,000 points accrued on Membership Cards as at 31st January 2015, to be credited to Membership cards on 12th May 2015.**
- 4. Appointment of Tellers & Scrutineers.**
- 5. Election to the Board of Directors:**
3 vacancies for 3 years
– 4 nominations received.
(See right).
- 6. Election to the Membership Committee:**
1 vacancy for 2 year
– 7 nominations received. (See right).
- 7. Election to the Members' Council:**
4 vacancies for 2 years
– 8 nominations received. (See right).
- 8. Management Presentation:**
 - Review of 2014/15 trading year
 - Future prospects and business developments
 - Update of strategic plan
- 9. Questions from the floor**
- 10. Appointment of Auditor**
- 11. Charity of the Year 2015**

The candidates listed below in no particular order seek election to the positions indicated:

B = Board

M = Membership Committee

C = Members' Council

* = Employee:

Pauline Green	B	M	C
Ben Stops*	B	M	C
Anthony Gunn	B	M	-
John Knott	B	M	C
Paul Thrussell	-	-	C
Nicole Gay*	-	M	C
Lois Bowser	-	M	C
Susan Charsley*	-	M	C
Michael Whalley	-	-	C

Members registered for Postal Voting will receive Ballot Papers by mail, to be returned in the prepaid envelope by no later than 8th May 2015.

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 a valid Membership Card and proof of identify or such other identification as the Board may from time to time determine. If a Member ceases to be a Member during the election process, the former member's vote is invalid. Where secondary cards exist, only the primary card member shall be eligible to attend and vote."

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."

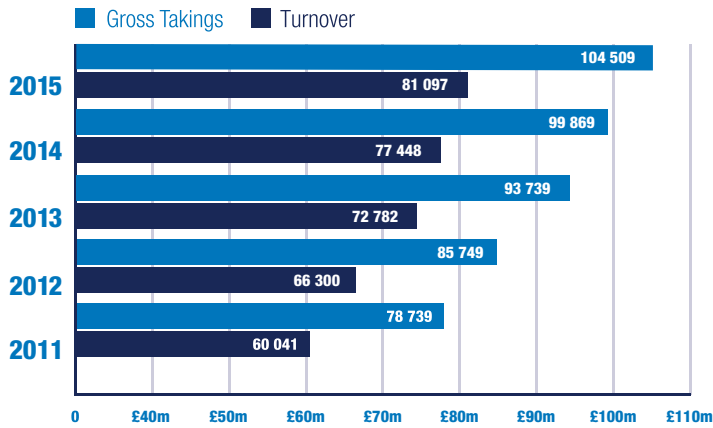
TRANSPORT - Members who require transport to this Meeting should contact the Secretary of the Society at the Registered Office, 220 Moulsham Street, Chelmsford, Essex, CM2 0LS before 5.00pm on 5th May 2015.

4 Five Year Comparative Statement

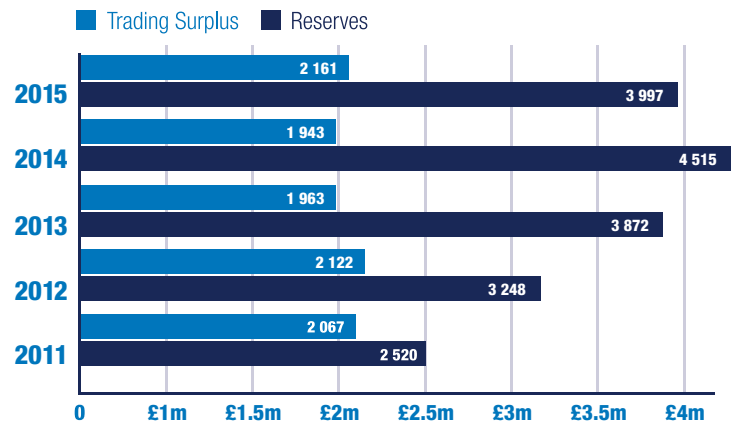
53 weeks ended 31st January 2015

Year ended:-	30 January 2011 52 weeks	28 January 2012 52 weeks Restated	26 January 2013 52 weeks	25 January 2014 52 weeks	31 January 2015 53 weeks
	£	£	£	£	£
Gross Takings	78 739 458	85 749 244	93 738 848	99 868 832	104 509 438
Sales (per FRS 5)	60 041 460	66 299 535	72 782 097	77 448 174	81 097 493
Turnover	55 275 546	60 541 705	66 388 559	70 452 988	73 679 934
Members' Benefits & Grants	301 098	313 514	366 942	384 335	414 074
Trading Surplus	2 067 476	2 121 603	1 963 168	1 942 800	2 161 870
Share Interest	266 848	272 901	287 309	279 014	297 839
Retained Surplus before Tax	315 079	912 912	1 053 718	1 111 252	1 315 095
Depreciation	1 287 862	1 081 882	1 264 310	1 321 758	1 446 487
Capital Expenditure including Goodwill	4 045 794	1 195 511	2 860 901	2 239 751	1 605 465
Fixed Asset - Net Book Values	17 488 550	17 199 819	18 796 510	19 706 809	19 845 716
Net Current Assets (Liabilities)	(768 032)	(376 639)	(296 240)	(30 965)	842 103
Total Assets less Current Liabilities	16 720 518	16 823 180	18 500 270	19 675 844	20 687 819
Long Term Liabilities	(6 501 135)	(5 804 304)	(6 207 520)	(6 578 399)	(5 527 184)
Net Pension Liability under FRS17	(1 920 630)	(1 914 750)	(2 105 180)	(2 043 200)	(3 144 000)
Deferred Tax	1 218 785	1 270 016	1 250 000	1 073 680	849 870
NET ASSETS	9 517 538	10 374 142	11 437 570	12 127 925	12 866 505
Share Capital	6 997 305	7 126 481	7 565 670	7 613 416	8 869 772
Reserves	2 520 233	3 247 661	3 871 900	4 514 509	3 996 733
MEMBERS' FUNDS	9 517 538	10 374 142	11 437 570	12 127 925	12 866 505
Membership	64 631	67 018	70 301	72 314	76 298
Average Shareholding per Member	£108.27	£106.34	£107.62	£105.28	£116.25
Trading Surplus as % of Net Sales	3.74	3.50	2.96	2.76	2.93
Members' Benefits as % of Net Sales	0.54	0.52	0.55	0.55	0.58
Fixed Asset additions as % of Net Sales	7.32	1.97	4.31	3.18	2.18
Gearing	75%	68%	71%	69%	51%
Interest cover (Net interest as percentage of Surplus before Interest)	665%	795%	730%	756%	822%
Where actual data is not available, near estimates have been used to adjust earlier years' figures.					
Net Debt	7 165 336	7 093 979	8 132 306	8 362 930	6 598 344
Surplus before Interest	2 067 476	2 121 603	1 963 168	1 942 800	2 161 870
Net Interest payable	310 674	267 000	269 000	257 000	263 000

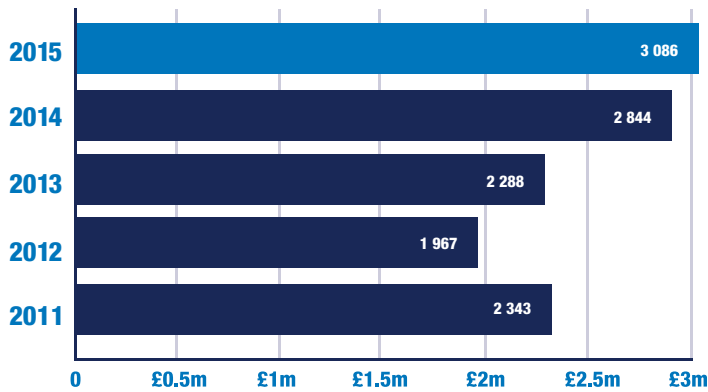
Gross Takings & Turnover £000



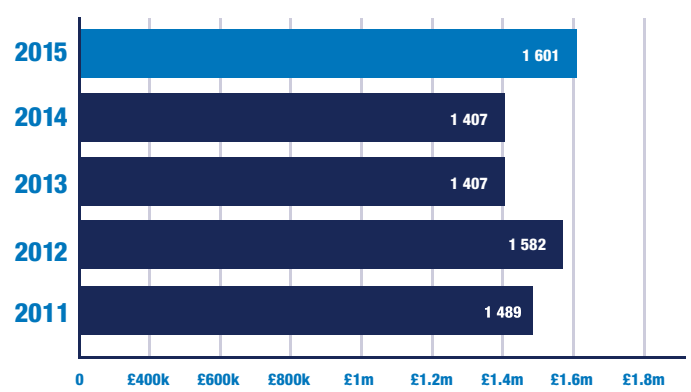
Trading Surplus & Reserves £000



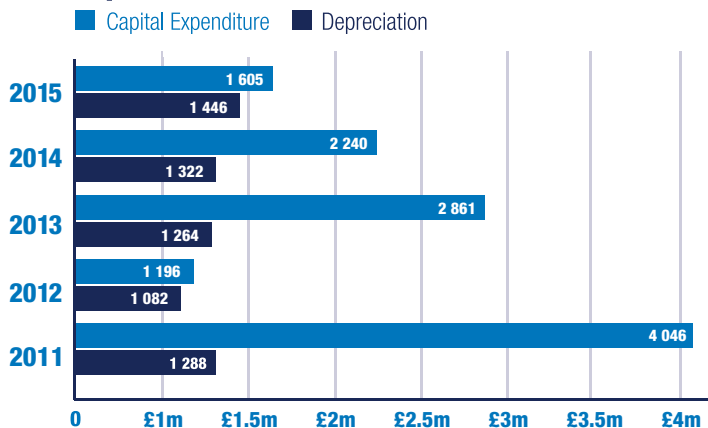
Cash Flow from Operating Activity £000



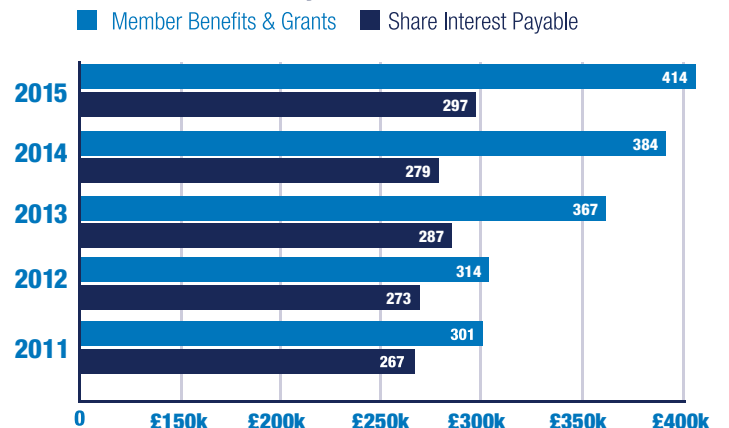
Operating Profit £000 (Trading Surplus less Interest)



Capital Expenditure & Depreciation £000



Member Benefits & Grants / Share Interest Payable £000



Co-operative, Environmental and Social Performance Indicators 53 weeks ended 31st January 2015

As a Co-operative, your Society seeks to operate its business in accordance with Co-operative Values & Principles. To assist in the monitoring of our performance, we adopt a standard set of key co-operative and social performance indicators, which have been produced by Co-operatives^{UK}.

1. Member Economic Involvement

Trade conducted with members represented 11.9% of our total sales, compared with 10.1% in 2013/14.

2. Member Democratic Participation

The elections in April 2014 were well contested, with nineteen nominations for ten positions. A total of 385 members voted in the elections, representing 1.74% of the active membership and 0.5% of total membership compared respectively to 2.42% and 0.64% in 2013/14.

3. Participation of Colleagues and Members in Training and Education

We have provided 3,627 hours of training to our colleagues and Directors, compared to 2,944 in 2013/14.

Additionally 261 hours of education have been provided to our members via membership activities, compared to 251 in 2013/14.

4. Colleague Injury and Absentee Rates

The total number of reported accidents involving colleagues during the year was 42 of which 2 were serious. This compared to 36 accidents of which 2 were serious in 2013/14.

5. Colleague Profile, Gender and Ethnicity

The gender split of colleagues remains static with 64% female, 36% male.

Your Society's Board and Executive management team currently has a 50/50 mix of males to females.

Of our colleagues, 3.6% are of non-white ethnicity, compared to 3.8% in 2013/14.

6. Customer Satisfaction

Surveys collected from the Society's Funeral division suggest 96.9% would recommend or use our service again.

Surveys collected from the Society's Department Stores Furniture business report 95.7% were satisfied or very satisfied with the service provided.

7. Consideration of Ethical Issues and Procurement and Investment Decisions

The majority of our procurement is through membership of the Federal Retail Trading Services (FRTS). We actively support the ethical buying policies of FRTS including promoting Fairtrade merchandise.

Your Society has made an active commitment to supporting our local economy, having conducted research which suggests that for every £1.00 spent with the Society, 31 pence is re-invested back into the local community.

8. Investment in the Community and Co-operative Initiatives

Cash donations, investment and colleague time supporting the community totalled £105,439 equating to 7.3% of pre-tax profits. This compared to £114,409 or 9.4% in 2013/14.

In addition, £63,194 was donated to supporting Co-operatives through cash donations, investment and colleague time, equating to 4.4% of pre-tax profits. This compares to £32,539 or 2.7% in 2013/14.

9. Net CO₂ Emissions Arising from Operations

We have produced 4,504 tonnes of CO₂ emissions from electricity consumption, compared to 4,689 in 2013/14. Our carbon footprint has been restated for last year in order to account for material changes to the conversion factors provided by Defra for company reporting purposes.

Where possible, electricity is sourced via renewable resources, equating to 98.49% of consumption, compared to 98.36% in 2013/14.

10. Waste Recycling

We have recycled approximately 93.13% of the waste produced, compared to 15.73% in 2013/14.

Total waste arising decreased to 1,756 tonnes, compared to 2,085 in 2013/14.

To The Members

Your Board of Directors has pleasure in reporting to you on your Society's performance for the year which ended on 31st January 2015, covering a period of 53 weeks.

Economic Background

In our report to members for the year ended 25th January 2014, we stated that it was your Directors' opinion that a challenging business plan and budget had been set for 2014/15. The business plan anticipated improvement in your Society's profitability, but also material progress in terms of co-operative success.

In our interim report to members, we referred to the increase in consumer confidence in the UK; however this is yet to translate into increased consumer spending, especially in the grocery market.

Increased competition within the grocery market has resulted in record low levels of food price inflation and intense pressure on margins. Fuel prices have plummeted to a six year low. Footfall on the high street and at shopping centres has fallen, with consumers visiting out of town locations. Your Society is not immune to these factors, but it is your Board's opinion that the Society has to an extent mitigated the impact of these challenges and your Board is pleased to report to members that your Society continues to demonstrate its ability to be successful in both financial and co-operative terms.

Financial

Your Society's gross takings for the year amounted to £104,509,438. This compares to last year's figure of £99,868,832. As previously mentioned, this financial year is one of 53 weeks, which therefore distorts comparisons. Adjusting for this, together with new openings and store closures, gives "like for like" growth of 1.3%.

Given the economic challenges of the year, it is the Directors' considered opinion that the Society's business model has proven resilient, continuing to build on the growth of previous years. Gross profit for the year amounted to £22,543,261. This compares to last year's figure of £21,616,100, an increase of 2.3% on a "like for like" basis. Strong growth in the Society's Travel and the Departmental Store businesses has contributed significantly to the Society's overall progress this year.

The total cost of operating the Society's business fell within the business plan's expectation for the year, amounting to £20,381,391. This compares to last year's figure of £19,673,300. Expenditure has increased "year on year" as a result of the Society's planned investment in a new electronic point of sale system, additional resources provided to support our colleagues both at shop floor level with two in-store trainers and at management level through an external provider.

As has become the norm over the past few years, strenuous efforts continue to keep costs down wherever possible and to drive efficiencies. Your Board reviews expenditure on a four weekly basis. Your Directors are pleased to report to members that the overall level of cost incurred is substantially below that envisaged in the 2014/15 business plan and is testament to the Society's effective system of management control.

Your Society's trading profit before depreciation, often referred to as EBITDA, amounted to £3,608,357. This compares to last year's figure of £3,264,557 and represents an increase of £343,800 or 10.53% "year on year".

At the trading profit level, after depreciation, the Society achieved £2,161,870. This compares to last year's figure of £1,942,800.

Included within last year's result was a dividend payment to the value of £178,311 from the Co-operative Group. Members will recall the difficulties faced by the Co-operative Group in the recent past. The Co-operative Group last year reported significant losses and therefore was not in a position to award a share of the profits to their individual members or a dividend to their corporate members including your Society.

Whilst your Board had anticipated that the corporate dividend value would decrease this year, it was not envisaged that no payment would be received. As reported at the interim, your Board took the decision to recast the budget, removing the budgeted Co-operative Group dividend payment, in order to provide a realistic year end target for our colleagues to strive for.

The Society's surplus before distributions, often referred to as net profit, amounted to £1,958,799. This compares to last year's figure of £1,696,800. After meeting the cost of all distributions, the Society has achieved a surplus of £1,036,885, this compares to £864,132. The surplus has been added

to the Society's reserves. The Society's reserves have been impacted by the adjustments required by FRS17 for the Pension Fund and deferred tax as shown in note 16 and referred to under the Employees' Superannuation Fund section of the report.

Food

Gross takings, excluding Fuel, amounted to £79,590,261, which compares to last year's figure of £76,976,603. This is an increase of £2,613,658 or 3.4%. On a "like for like" basis, taking into account 53 weeks and the opening of The Sorrells, Stanford-le-Hope, gross takings have declined marginally by 0.47%. This represents a deterioration on the growth rate of 0.7% reported at the interim.

The management team are currently working towards a revised Food strategic plan to address the shortcomings in the business. A review of progress to the plan was undertaken from which it emerged that progress in implementing the plan was inadequate. After careful consideration, Stuart Hammond, Head of Food has decided that he is not the individual to lead the Food business into the future. The Board wishes Stuart well for the future.

Your Board has taken the difficult decision to close our Southchurch Road store, Southend-on-Sea, following a review of its long term sustainability and given its level of profitability. Our colleagues have been informed of this decision and the store is currently for sale on the market as a going concern. In the meantime, the store continues to trade.

On 17th April 2014, the Society opened The Sorrells in Stanford-le-Hope, a first for the Society converting a public house to retail. The Board are closely monitoring the store's performance to ensure an appropriate level of return on investment is achieved.

During the period under review, four stores have been refurbished; Hullbridge, Moulsham Lodge, Meadgate and Church Street, Bocking. Each store was closed during the refurbishment period for one to two weeks. The new refurbished store standard sees the installation of LED lighting, refrigeration fitted with full length glass doors, and a refresh of the external and internal appearance of the stores. A progressive plan of refurbishments and refits is scheduled throughout 2015/16 and onwards.

Local food continues to build support with an increasing demand for local products. A total of 37

local suppliers and their products are now available across the Society, and product ranges continue to expand. Your Society's support of local suppliers and producers was recognised this year at the Essex Life Food & Drink Awards, where the Society received the Pride in Essex Award for actively and proudly promoting great local Essex produce. In addition, the Society was awarded the Essex Life Food & Drink Hero award for championing all that is great about the Essex food & drink scene.

As a result of negative turnover growth, fierce competition on price, margins under pressure, and the non payment of The Co-operative Group dividend, the Society's Food business's trading profit is down 8.83% on last year, on a "like for like" basis.

Departmental Stores

In our report to members last year, your Directors referred to a revised strategic plan for Departmental Stores, reconfirming the desire to remain trading within the sector. The first year of this strategy has been implemented, with the first key aim to minimise losses.

Gross takings for the year amounted to £10,083,793. This compares to last year's figure of £9,676,923, an increase of 4.2%. On a "like for like" basis, taking into account 53 weeks and the closure of Canvey Bed Centre, gross takings have grown by 3.5%. Sales in the Society's own bought departments have experienced excellent growth in the period, with furniture, housewares, ladies' fashions and luggage all contributing to the result.

The turnaround strategy of the Departmental Store business has focussed on a number of factors including driving efficiencies, identifying cost opportunities, working in conjunction with our concession partners to grow net income, improving the knowledge and level of customer service our colleagues are providing, and adjusting labour scheduling to the needs of the business.

The first year represents the beginning of the turnaround strategy; momentum in the second year will be driven by the appointment of a Head of Departmental Stores, Stephen Roger. Stephen joined the Executive team on 26th January 2015. He has a background in retail, specifically departmental stores, and has experience also in the not-for-profit sector.

Your Directors are extremely pleased to report that trading losses in Departmental Stores have reduced to 1.3% compared to 3.95% last year, an

improvement in real terms on a "like for like" basis of £210,204 and evidence of the strategy progressing to plan.

Travel

Your Society trades from two Travel agencies, both located within the Society's Departmental Stores. Last year we reported considerable turnover growth in our Travel business. Remarkably, your Society's Travel business has achieved further growth on last year. Gross takings for the year amounted to £8,284,608. This compares to last year's figure of £6,597,754, a "like for like" increase of £1,686,854 or 25.6%, and follows an increase of 46.2% in 2013/14 and 51.98% in 2012/13. Turnover growth over the past three years is exceptional at £5,315,419 or 179%.

Significant growth in Bureau de Change turnover has driven this year's increase, although holiday bookings have increased "year on year" by 39.1% on a "like for like" basis.

As a result of the mix of turnover, trading profit amounted to £142,393, compared to last year's figure of £108,937. On a "like for like" basis, this represents an increase of trading profit of £31,361 or 28.8%. The continued growth and success of our Travel business has again exceeded the business plan and the expectations of the Board.

Funerals

Your Society's Funeral business has for a number of years experienced exceptional growth. It has however "plateaued" this year, largely as a result of the fall in the mortality rate. Market share has however been maintained. Gross takings for the year amount to £1,795,193, compared to last year's figure of £1,740,374. On a "like for like" basis this represents marginal growth of 1.2%.

Sales of the Society's Funeral Plans have continued to grow, banking future business.

Our Funeral team has been selected as one of the best UK Funeral Directors, following an assessment by the Good Funeral Guide – an independent funeral consumer advocacy organisation.

Your Society continues to support the bereaved within the community and has further added to its service by providing a personalised bereavement counselling service to all clients.

Trading profit is lower than expected by the business plan, £287,372 compared to £311,209 last year, a "like for like" reduction of 9.4%.

Investment Property

Your Society's investment portfolio consists mainly of residential accommodation located above our shops. The portfolio was extended during the year to include two flats located above the Society's latest acquisition, The Sorrells, Stanford-le-Hope.

Your Society's portfolio includes one commercial property above the Duke Street store in Central Chelmsford, Copleston Court, which has remained vacant since November 2013. Rates of occupancy for the remaining estate have been reasonable throughout the period.

Rental income for the year amounted to £255,048. This compares to last year's figure of £238,289.

Funding and Interest

During the year, the Society has spent £1,605,465 on capital projects, which predominantly relates to the refurbishment and refit of four food stores. No additional funding has been required in the period under review, capital projects have been funded from the Society's cash flow and increased share capital investment.

During the year, the Society's members approved a number of rule changes specifically relating to withdrawable share capital. As a result, members can now invest up to £50,000 within the Society, compared to £20,000 previously. Many members have chosen to support the Society, increasing their investment to the higher limit. Withdrawable share capital in the year has increased by 16.9%. The increased investments in withdrawable share capital have contributed to the reduction in net debt, which now stands at £6,598,345.

When related to the Society's profit before depreciation, i.e. EBITDA, net debt as a ratio is 1.84, compared to last year 2.56.

Interest charged on the Society's borrowings amounted to £263,000, last year £257,000. The interest cover ratio (i.e. Bank interest to trading profit) is 8.20 times, last year 7.30 times.

The Society continues to perform well within the requirements of its banking covenants and has adequate headroom to facilitate further expansion, if and when a suitable opportunity arises.

Employees' Superannuation Fund

An actuarial valuation of the Employees' Superannuation Fund will be conducted in 2015, the result will be reflected in the 2015/16 financial statements.

As at 31st January 2015, the deficit on an FRS 17 basis after reflecting the deferred tax adjustment is £3,144,000; the deficit at 25th January 2014 was £2,043,200. The investments performed well during the year but the market conditions as at 31st January 2015 caused the present value of the liabilities of the Pension Fund to increase significantly.

Actuarial gains and losses of £1,943,000 have been shown through the Statement of Recognised Gains and Losses, reducing the Society's reserves. Further details are shown in notes 16 and 24.

During the course of the year, the Society has made payments as per the recovery plan amounting to £402,000, last year £348,000.

The Fund remains open to new members and applications are welcome from all colleagues.

Distributions

The Society's total distribution of profit which is made up of interest on members' share capital, dividend on purchases, the membership grant, donations to the local and national Co-operative Party and sundry community donations amounted to £643,704, compared to last year's figure of £585,548, an increase of £58,156 or 9.9%.

Payments to members of the 500 Club who receive a discount at the point of sale is not treated as a distribution but is charged directly to the profit and loss account. The cost this year is £93,126, compared to £68,209 last year.

For the current year, your Directors propose to recommend to members a payment of share of profits (i.e. dividend) at a rate of £7.00 for every 1,000 points earned, the same as last year.

Board of Directors

Changes in the Society's governance structure following on from the April 2014 Annual General Meeting and elections were fully reported to members in our interim report. Pauline Dodd and Tony Price were re-elected to the Board. In addition, Chris Henton was elected to the Board, having served previously on the Membership Committee and Members' Council.

Pauline Dodd has continued to serve as President throughout the year, assisted by Roger Simons, Vice Chair. As usual, the year has been demanding in terms of workload, Directors have continued to monitor all aspects of the Society's financial performance and its wider strategic objectives.

During the year the Board reviewed your Society's environmental and energy policies, re-affirming its strategy to drive a reduction in energy consumption. The revised policy commits to a 10% reduction in consumption by 2019. So far this year, as part of the refurbishment plan, energy efficient refrigeration with full glass doors has been installed, LED lights have been installed in six food stores and on the third floor in Chelmsford quadrant.

In line with your Society's environmental policy, waste and recycling processes across the estate have been reviewed. The Society's waste collection provider sorts the Society's waste and recycles approximately 93.13%. In addition, all cardboard and plastic shrink wrap is backhauled from food stores. In an attempt to reduce the amount of customers' old furniture being sent to landfill, quadrant customers and members are now offered the opportunity to recycle their furniture via the Lighthouse Furniture Project – a charity which recycles unwanted furniture and passes it on to low income households, those on benefits or refuge centres, for little or no cost.

By focussing on waste diversion, the Society has during the year reduced waste sent to landfill by approximately 1,300 tonnes. The renewed policies recognise that the Society has a responsibility for the environment and sustainability, and commits to minimising our impact on the environment.

Membership and the Community

Members will be aware that membership is at the heart of the Society, and is considered an essential element of building and delivering on our values & principles and in underpinning our financial success. There is much to update members on:-

Community Award

Your Society has been awarded the Community Award in the Essex Business Excellence Awards. The Community Award recognises the Society's charity support, work with community groups, support for local producers and suppliers, and providing assistance to schools, youth and the bereaved.

New Members

During the year, much focus has been given to encouraging our loyal customers to become members and ensuring members use their membership card for every transaction, allowing points to accumulate and benefit members through a 'share of profits'. During the period, new signed up members amounted to 3,984, compared to 2,065 last year, a 93% year-on-year increase.

Member Benefits

This year the benefits of being a loyal member have been enhanced with the introduction of the 'member of the month' and the Community Boost initiative. Members are entered into a random prize draw every time they swipe their membership card, whilst making a purchase in a Chelmsford Star store. The 'member of the month' is awarded £30 in co-operative shopping vouchers.

The Community Boost initiative provides members who spend at least £10 in one transaction with discounts to local businesses. The initiative not only helps members, but also promotes local businesses surrounding our stores, encouraging economic growth within the community. Community Boost was launched in November. Early feedback received has been positive from members and local businesses alike.

Member Communication

During the year, four membership updates have been issued, replacing the annual Social Report. The quarterly members' magazine, Starlight, provides customers with a regular update on membership and Society activities. Starlight is available to customers instore or online at the end of January, April, July and October.

Member Excursions

In conjunction with the Travel department, exclusive offers and member trips were organised to Hopefield Animal Sanctuary, Remus Horse Sanctuary, Hyde Hall, Ipswich Christmas Market and London Winter Wonderland.

For 2015, numerous trips have already been organised to Le Touquet, Kew Gardens, Houses of Parliament and the Harry Potter Studio Tour – all of which can be booked via Chelmsford Travel (01245 490290).

Coffee Clubs

Coffee clubs are held weekly in both Braintree and Chelmsford providing an opportunity for members to come together for a free cup of coffee. Regularly, local community groups, charities, interest groups, support networks and local suppliers present to our members. Over 105 members enjoy and attend the coffee clubs each week.

Elections and Postal Voting

The number of members on the postal voting register now stands at 914, last year 1,084. During the year, 227 members were removed from the register, primarily because they had not voted for the past four years. If allowance is given for this factor, underlying growth is 7%.

Your Society held contested elections for the Board of Directors, Membership Committee and Members' Council. Members' views are represented by the twenty elected positions within your Society's governance structure. Your Society continues to encourage members to stand for election, informing and discussing the opportunities available, at the annual 'meet the Directors' event.

Youth Council

Your Society's Youth Council has extended its terms of reference to incorporate Brentwood County High School, a Co-operative Trust School. Once again, the Youth Council held its annual football tournament raising over £200 for the J's Hospice. The arrangement and organisation of the event is made by the Youth Council members, supported by the membership team and St Clare's School.

The Head of Membership has worked closely with the Youth Council to explore messages to engage with youth and promote membership in a relevant style and terminology.

Community Card

This year your Society celebrated its 15th anniversary of the Community Card scheme. To mark the occasion, our Community Card groups were invited to attend a free workshop and networking event, providing advice and guidance on fundraising, grants, social media and press releases. The Mayor, Councillor Bob Villa and his wife, who are supportive of the Society's initiative and commitment to the local community attended the evening.

Your Society's long established Community Card scheme has continued to attract new supporters, whilst providing ongoing support to our Community Card groups. A total of 336 community groups are signed up to the scheme, this compares to 280 last year, an increase of 20%. During the year, Community Card supporters have raised funds for their chosen Community Card groups. The following Community Card groups have withdrawn funds raised within the year, totalling £5,913;

- 1st Danbury Scout Group
- 1st Writtle Guides
- Barrow Farm Riding for the Disabled
- Blackmore Youth Centre Trust
- Blessed Sacrament

- Cats Protection
- Chelmsford Civic Society
- Chelmsford District Explorer Scouts
- Chelmsford Street Pastors
- Christ Church URC
- Danbury Community Transport
- Dyslexia Action Chelmsford
- Essex Royals Football Club
- Essex Wildlife Trust
- Friends of Galleywood Heritage Centre
- Friends of Great Waltham School
- Friends of Roxwell School
- Friends of Wallace Kennels
- Friends of Whitecourt School
- Galleywood Infant School
- Galleywood Infant School PA
- Galleywood Theatre Group
- Harvest Plus
- Helen Rollason
- Home-Start
- Hospital Radio Chelmsford
- Hylands District Girl Guides
- Kings Road Primary School PTA
- Lighthouse Family Trust
- Macular Society Chelmsford
- Meadgate Church
- Meadgate Primary School
- Mid Essex CF Support Group
- Mildmay Infant & Nursery School
- Mildmay Junior School
- Mountmessing C of E Primary School
- Our Lady Immaculate School
- Perryfields Infant School
- Pirouette School of Dance
- Remus Horse Sanctuary
- RHP Sports & Social Club
- Rotary Club of Brentwood
- Roxwell Memorial Hall
- RSPCA Mid-Essex
- Scallywags Day Nursery
- St Andrew's Church
- St Augustine Church
- St John the Baptist Church
- St Nicholas Church
- The J's Hospice
- Three Stones W.I Ingatestone
- Winter Gardens Primary School
- Woodham Mortimer Per-School
- Writtle URC

Charity of the Year

The Society's Charity of the Year through to the Annual General Meeting on 11th May 2015 is The J's Hospice. During the year, fundraising for The J's Hospice has included book sales, clothes collections, your Directors' bag packing at Christmas, a Senior Executive trekking into the Grand Canyon and shopping events held in conjunction with the Women's Institute and the Rotary Club. The total funds raised for The J's Hospice are to be announced at the Annual General Meeting, along with the Society's next Charity of the Year.

Fairtrade

Total sales of Fairtrade goods via the Society's outlets amounted to £1,765,963 and now includes sales of Fairtrade clothing from Nomads, in Chelmsford quadrant. Last year sales totalled £1,747,973. On a like-for-like basis this represents a decrease of £15,625 or 0.9%.

Your Society held two events to celebrate Fairtrade Fortnight this year. A Fairtrade evening was held with guest speaker, Dame Pauline Green DBE and President of the International Co-operative Alliance, who gave an inspiring talk on the global economy and its future sustainability. Fairtrade celebrations continued with Daniela Cedron from La Riojana Wine Co-operative in Argentina joining coffee club members to explain the benefits to her community of being a co-operative. Over 135 members attended these events.

In October your Society supported Chelmsford Ideas Festival by participating in a panel discussion on Fairtrade, promoting the Society's involvement and commitment to Fairtrade.

Lesotho

Your Society is now in the final year of its three year project to support and empower the Mobu Ke Khuata Co-operative in Lesotho. Year 2 of the project has seen the all - important completion of a water harvesting and storage system, after water shortages during the early part of the year. The Co-operative has produced its first crop and began trading from February 2015.

The Co-operative College's monitoring visit was delayed during September 2014 due to political unrest. The monitoring visit is re-scheduled for February 2015, and a further visit will be conducted following the completion of the project.

Co-operative Trust Schools

Your Society continues to work with and support St Clere's Multi-Academy Trust, the Anglo European School and Brentwood County High School. The Society is working with the schools individually and collectively to promote co-operation amongst co-operatives.

Co-operative College

Your Society continues to work closely with the Co-operative College. The College provides training and evaluation methods for the Board and provides an independent report on our project in Lesotho.

During this year, the College invited the Society to send two delegates to trial a European Co-operative Campus qualification designed for co-operative managers and members. Kevin Bennett, Head of Membership and Michael Whalley, Director attended a session in Spain and Germany respectively providing constructive feedback on the course design and content.

Chelmsford Co-operative Party

Your Society supports the local Chelmsford Co-operative Party and the National Co-operative Party. Judy Saunders represents the Society, attending local Executive Committee meetings.

During the year, the Chelmsford Co-operative Party organised a demonstration and petition to support the "End Loan Sharking" campaign, outside the Society's Kings Road and Melbourne stores. The Party promoted credit unions as an alternative.

Co-operative Heritage Trust

Your Society has reaffirmed its commitment to the Co-operative Heritage Trust, a charity aimed at safeguarding the co-operative movement's unique and irreplaceable heritage, and developing archive collections as lifelong learning resources that are widely accessible.

Colleagues

Your Directors would like to pay tribute to all our colleagues whose dedication and professionalism is a significant factor in our continuing success. A very well deserved bonus was again paid to all "shop floor" colleagues before Christmas, the cost of which has been charged against the Society's profits.

The Year Ahead

The retail market has changed significantly over the last few years, the Society needs to adapt and be flexible in our approach to the changing environment.

Despite the challenging retail conditions, your Society's strategic plan for 2015/16 anticipates achieving growth through the refurbishment of our food stores, driving the revised Departmental Store strategy and monitoring regularly progress against agreed targets.

Your Board has every confidence in your Society's key strategies. These, supported by our dedicated colleagues, will be key to ensuring the ongoing success of Chelmsford Star.



On behalf of the Board of Directors

Ellen Tredwin – Secretary

31st March 2015

To The Members

The Remuneration Committee has delegated responsibility for;

- Setting the remuneration and terms & conditions of Senior Executive Managers.
- Developing and approving an appropriate incentive scheme for Senior Executive Managers.
- Developing a structured and transparent policy for Directors' remuneration.

The Committee comprises the President, Vice President and two Directors. The Society's Secretary acts as Secretary to the Committee. The Chief Executive Officer and Chief Financial Officer attend. No Senior Executive plays any part in determining his or her terms and conditions or remuneration. The Committee has met on four occasions this year.

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

The Society's policy on Senior Executive remuneration has remained unchanged throughout the year insofar as any changes in terms and conditions have been in accordance with the agreement between the Society and the National Association of Co-operative Officials (NACO).

The principal tenets of the Society's remuneration policy are as follows;

Executive Remuneration

Levels of remuneration are set at a level sufficient to attract, retain and motivate Senior Executives of the calibre required to run the Society successfully. It is the Society's policy to be a fair and reasonable employer by demonstrating that remuneration of its Senior Executives is on a par with market rates for organisations of similar size and complexity.

Bonus Payments

The Society has a bonus scheme for Senior Executives which is designed to drive the business forward by setting challenging targets. The bonus scheme comprises two elements; financial and non-financial elements providing both short and long term milestones. The financial element, i.e. the budget, is the trigger point for the bonus scheme. If the budget is not achieved, no payment is awarded.

For the year 2013/14, the Society's profitability was below the expectations of the 2013/14 business plan. For 2013/14 therefore no bonus was awarded to the Senior Executive team. If any bonus is awarded relating to the current financial year, this will be reported to members in next year's report.

Service Contracts

There have been no changes to the length of service contracts of any Senior Executive during the year.

Pension Benefits

There has been no change in the pension arrangements of any Senior Executive in the past year.

Independent External Advice

The principal external advisor to the Committee throughout the year has been the Co-operative Employers Association. The Committee is empowered to seek additional independent advice whenever it deems it necessary. None has been sought in the past year.

Senior Executive Emoluments

Details of the individual remuneration packages of the Senior Executives relating to financial year end 31st January 2015 are detailed in the table below.

Details of the total emoluments of the management Executive are given on the notes which accompany the financial statements.

Directors' Emoluments

Details of Directors' emoluments relating to financial year end 31st January 2015 are detailed in the table below.

The scale of fees and allowances which are paid to Directors is approved by the members every three years. Members approved the current scale at the 2013 Annual General Meeting; the next review will be at the Annual General Meeting in 2016.

The total fees paid to members' representatives elected or appointed to serve on the Membership Committee or Members' Council amounted to £1,440; compared with £1,785 in the previous year.

Employees serving as Trustees of the Employees' Superannuation Fund were paid fees totalling £2,640; compared with £2,683 in the previous year.

This report will be put to an advisory members' vote at the Annual General Meeting on the 11th May 2015.

BY ORDER OF THE BOARD



Pauline Dodd

President and Chair of the Remuneration Committee
26th March 2015

Senior Executive Emoluments

	B Wood Chief Executive Officer	L Waghorn Chief Financial Officer	E Tredwin Secretary
Date of Appointment	05.05.13	01.03.13	27.01.13
	£	£	£
Basic Salary	158 998	84 804	55 119
Bonus	-	-	-
Benefits in Kind	11 394	8 451	5 597
Pension	20 669	-	7 165
Total Emoluments			
2014/15	191 061	93 255	67 881
Total Emoluments			
2013/14	182 493*	76 481*	68 663

*2013/14 was not a full year in post.

Directors' Emoluments

	£ Board Fees Sub-Committee	£ Allowances & Expenses	£ Total
P Dodd – President	9 360	266	9 626
L Gardner	5 220	117	5 337
P Green	4 200	-	4 200
A Gunn	1 785	-	1 785
C Henton	3 555	92	3 647
J Martin	4 380	18	4 398
A Price	3 300	49	3 349
J Saunders	4 200	170	4 370
R Simons – Vice President	5 940	125	6 065
S Sullivan	4 140	38	4 178
M Whalley	5 220	177	5 397
Total Emoluments	51 300	1 052	52 352
Total for 2013/14	47 516	1 179	48 695

To The Members

The Succession Planning Committee was originally established to create a formal and transparent policy for the development and recruitment of Senior Executives. With the succession of the Senior Executives complete, the Terms of Reference for the committee were updated last year to incorporate a wider vision of talent mapping and succession planning. They now have been extended to include regular review of the balance of skills, knowledge and experience on the Board through the results of the Board's annual evaluation.

Board Development & Succession Planning

A number of Directors are coming towards the end of the maximum length of service of nine years, permitted under good governance.

As a result over the next three years, the Board is likely to lose several extremely experienced Directors. The committee has therefore agreed a training programme to ensure the loss of knowledge and experience that these Directors hold does not adversely affect the Society.

The format of this year's evaluation of Directors was provided by the Co-operative College, facilitated by the Secretary. The evaluation focused on key competencies and areas of knowledge and understanding. It is envisaged that every three years, the evaluation shall be conducted externally.

Talent Mapping

The Society continues to identify, nurture and develop talented colleagues to ensure, as far as possible, that the Society has within its workforce the skills and abilities necessary to meet the continuous challenges of the business.

The Committee is therefore pleased to report that in the past year fifty colleagues have been identified and promoted within the Society, a 22% increase on last year. For those colleagues who are unsuccessful, personal development plans have been created, demonstrating the Society's commitment to invest in and develop all its colleagues.

The Committee trusts that this report is helpful to members.



Michael Whalley

CHAIR OF THE SUCCESSION PLANNING COMMITTEE

Board & Committee Members Attendance 2014

The table lists the attendance record of Directors and member representatives for the year under review. The figures show the number of meetings actually attended, against (in brackets) the number of meetings they were eligible to attend.

Elected Member Representative	Board	Audit	Remuneration Planning	Succession	Membership Council	Members' Fund Trustees	Superannuation
DIRECTORS	P Dodd – President	13 (13) C		4 (4) C		6 (6)	
	L Gardner	11 (13)	4 (4) C		1 (1)		5 (5)
	P Green	9 (13)				4 (8)	5 (5)
	C Henton ⁱ	9 (9)			1 (1)	8 (8) C	4 (5)
	J Martin	9 (13)	3 (4)		1 (1)	0 (2)	
	A Price	10 (13)	3 (3)				
	J Saunders	12 (13)		3 (4)			5 (5)
	R Simons – Vice President	11 (13)		4 (4)			2 (2)
	S Sullivan	13 (13)			1 (1)	7 (8)	
	M Whalley	12 (13)	4 (4)	3 (4)	0 (1) C		
L Bowser				6 (8)			
J Milbank				6 (8)	1 (1)		
A Gunn ^{iv}	4 (4)	1 (1)			8 (8)	3 (3) C	2 (2)
J Bearham ⁱⁱⁱ					2 (2)		
T Chakadonha					1 (3)		
S Charsley					4 (4)		
L Hughes					0 (1)		
J Knott					3 (4)		
M Manuel ⁱ					3 (3)		
G Martin					4 (4)		
P Thrussell ⁱⁱ					0 (1)		
M Wallace					4 (4)		
R White ⁱⁱ					1 (1)		
Youth Council Representative					3 (4)		
J Dorrington						5 (5)	
D Huggan ^v						3 (3)	
I Paterson ^v						4 (4)	
A Reynolds ^v						5 (5)	
T Skingle ^v						2 (2)	

ⁱ First elected to position 2014 AGM

ⁱⁱ Stood down 2014

ⁱⁱⁱ Co-opted following 2014 AGM

^{iv} Unsuccessfully re-elected to Board 2014 AGM

^v Employee representative

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 and Society 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 Co-operative and Community Benefit Societies Act. 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 and Society 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 Co-operatives^{UK} Limited's Corporate Governance Code of Best Practice.

The directors are responsible for the maintenance and integrity of the general and financial information included on the society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Board Certification

The financial statements on pages 18 to 32 are hereby signed on behalf of the Board of Directors pursuant to the Co-operative & Community Benefit Societies Act 2014.



P R Dodd – President



B J Wood – Chief Executive Officer



F P L Gardner – Chair of Audit



E Tredwin – Secretary

31st March 2015

Internal Control

In November 2013, Co-operatives UK published a revised Code of Best Practice – The Corporate Governance Code for Consumer Co-operative Societies (the 'Code'). In order to comply with the Code, the Board has a responsibility to outline compliance and disclose and explain non-compliance.

The following sections report the key principles of the Code.

Members

Membership is at the heart of the Society and is considered an essential element of building and delivering our values & principles. The membership activity report on page 9 provides details on our membership activity during the year.

The Membership Committee is responsible for membership engagement, and monitoring closely member participation and progress to the membership strategic plan.

The Society's governance structure is constructed so as to provide preparation and opportunities for progression through to Board level. Annually, a recruitment event, 'Meet the Directors' is held to inform and encourage members to stand for election, whilst explaining the responsibilities and commitment required.

The Society held contested elections for all three tiers within the governance structure, with six nominations for three vacancies on the Board, six nominations for two vacancies on the Membership Committee and seven nominations for five vacancies on the Members' Council.

Members' meetings are advertised in advance in line with the requirements of the Society's rules. Notices are displayed in store and on the Society's website and social media pages. A total of 96 members attended the Annual General Meeting.

The Society holds two members' meetings, the Annual General Meeting and an Interim Meeting. The meetings aim to engage and communicate to members the Society's performance and future developments.

Members are encouraged to use their democratic right by participating in the Society's election, either voting at the Departmental Stores, via post for pre-registered members or at the Annual General Meeting. During the year under review, a total of 385 votes were cast.

The Board

The Board is collectively responsible for the long-term success of the Society, setting the Society's strategic aims and objectives, and monitoring progress against these.

The Society's rules prescribe certain duties and responsibilities of the Board. In addition, the Board has a formal schedule of matters reserved for discussion. Day-to-day management of the Society is delegated to the Chief Executive Officer who is responsible for the implementation of the strategies approved by the Board.

The Board meets on a regular basis throughout the year. At its meetings it receives reports from management on trading performance, reviews the financial performance of the Society for the period and cumulatively for the year, and considers papers presented for decision or information. In addition, the Board meets in private without the presence of management as and when required.

The Secretary maintains a register to record any conflict of interest that may arise for Directors and also Executive management. The table below details the declared interests at year end. At each Board meeting, Directors are asked to declare any interests they may have in relation to the business on the Agenda.

Director & Management Executive Interests

Director/ Executive Management	External Directorship (or equivalent)
Lance Gardner	Co-operative Loan Fund (Director) Chelmsford Community Transport (Trustee) Danbury Community Transport (Trustee) Family Trust (Trustee)
Roger Simons	Hatfield Broad Oak Non-Ecclesiastical Charities (Trustee)
Susan Sullivan	Chelmers Village Hall (Trustee)
Ellen Tredwin	Brentwood Community Learning Trust (Trustee)
Michael Whalley	Anglo-European Trust (Trustee)
Barry Wood	Fair Trader (Director – Until 30th July 2014)

The Society's rules set out certain safeguards to ensure that the Board retains a balance and is not dominated by any one set of individuals. For example, no more than two places on the Board shall be held by members who are employed by the Society, nor can an Executive Manager hold the position of Director.

Directors have access to the advice and services of the Secretary who is responsible for advising the Board on governance matters. The Board will review the protocol on seeking independent professional advice in 2015.

During the year under review, the Board completed a performance evaluation, as described in the Succession Planning Report on page 13. A training

programme was compiled based on the results, including interpretation of financial information, budgeting, values & principles and membership engagement. Other learning opportunities arise at a number of conferences to which the Board sends delegates, including Co-operative Congress and the National Retail Consumer Conference.

New Directors receive a comprehensive induction pack and are aided by the Secretary, to ensure that they are able to effectively contribute as soon as possible.

Board Committees

In order to effectively discharge its responsibilities, the Board has a number of sub-committees to focus on specific matters, including Audit, Membership, Remuneration and Succession Planning.

The table on page 13 lists the attendance record of Directors at Board and Committee meetings during the year under review.

Remuneration Committee

The Remuneration Committee has delegated responsibility for Senior Executive remuneration and providing recommendations to members regarding Directors' fees. A full report on the Committee's activities is set out in the Remuneration Report on page 12.

The Search Committee

The Society's Succession Planning Committee undertakes specific actions and duties of a Search Committee, taking into account the Society's size and complexity. A full report of the Succession Planning Committee's activities are detailed on page 13.

Audit Committee

The Audit Committee operates under Terms of Reference which are regularly reviewed by the Board. These include an evaluation of:

- Review the financial statements and auditors' report.
- Review of the internal audit remit, programme and reports.
- Review the Society's statement on internal control system.

The Committee's Terms of Reference specify that the President of the Society or any Director who is a current employee cannot be a member of the Committee. Four Directors populate the Committee, in line with the Terms of Reference.

The Committee met four times during the period under review. The Committee meets with the auditors and such other external advisers as deemed necessary.

Control Environment

The Society is committed to the highest standards of business conduct and seeks to maintain these standards. The Society has clearly defined reporting lines and levels of delegated authority; levels of expenditure authorisation are set throughout the business, to ensure appropriate authority is granted.

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. The Board has adopted a risk management policy and a 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 Society 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, Society 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 to ensure complete and accurate accounting for financial transactions and to limit the potential loss of assets or fraud. Measures taken include physical controls, segregation of duties, management review and internal and external audit.

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 auditors who report 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.

The Society's internal control systems are designed to manage and minimise risks to the business and can provide only reasonable, but not absolute assurance against material misstatement or loss.

Compliance Statement

The Code recognises that Co-operative societies differ in scale, size, trading profile and resources; it is inevitable that levels of implementation will differ. Elements of the Code that the Society does not comply with include;

• The Chair

The Code states that the term of office of the Chair will be no longer than three years and may be renewed up to a total maximum service as Chair of six years. He or she will not be eligible for the office of Chair again.

The Society's rules allow Directors to serve three terms of three years before requiring a break. A Director becomes eligible to serve as Chair having served three years as a Director. A Director could serve as Chair for six years, take the required break in service and then serve as Chair if re-elected.

• Independent Professional Advice

The Code states where a Director considers it to be essential for the proper performance of his or her duties, he or she may obtain at the Co-operative's expense, independent professional advice through the Secretary, or the Chair if the matter is directly related to the Secretary.

During the year under review, the Board complied with the Board approved protocol of 2012, which required a substantial minority of Directors to agree before seeking independent advice. This protocol has been reviewed in February 2015.

• Chair Appraisal

The Code states that an appraisal of the Chair should be carried out at least annually in his or her absence to evaluate his or her performance, and on other such occasions as are deemed appropriate.

A formal appraisal of the Chair is not conducted; however, annually a Chair is democratically appointed by the Board taking into account the appropriate level of skills required including chairing, leadership, ability to challenge management and knowledge of the business.

• Audit Committee

The Code states that the Board should satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience and preferably a professional accountancy qualification.

The Committee does not have a member with recent and relevant financial experience; however, the Committee has the ability to request external professional advice.

In addition, the Code states no Director, who is also a current employee or superannuated employee who has returned from the business in the last three years, shall serve on the Audit Committee.

The Audit Committee's Terms of Reference refer to two years rather than three. Whilst during the year under review the Society complies with the spirit of the Code, the Terms of Reference will be reviewed during 2015 to ensure the Society complies with the provisions of the Code.

The Society is required to complete a compliance questionnaire, provided by Co-operatives^{UK}, outlining implementation of each of the provisions with the Code. The questionnaire will be available on request from the Society's Secretary.

On behalf of the Board



Pauline Dodd – President



Barry Wood – Chief Executive Officer



Ellen Tredwin – Secretary

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 53 weeks ended 31 January 2015 with comparative figures for 52 weeks ended 25 January 2014.

Basis of Consolidation

The Group Accounts consolidate the accounts of the society and its subsidiary, Star Holdings Chelmsford Ltd, a subsidiary society engaged in Property Management.

Gross Takings and Turnover

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

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 the Co-operative Insurance.

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 11 May 2015, the Directors' intend to propose a Share of the Profits in the region of £100,000 in respect of the year ended 31 January 2015. In accordance with FRS 21 this amount is not recognised as a liability in these financial statements.

Share Capital - Lost Contact

Where the Society has evidence that a member no longer lives at the address shown in its register of members or where the member has made no purchase of goods or services from the society or participated in the Society's democratic process for two years, then subject to following the rules of the Society, the Secretary may remove the name from the register of members and the Society may cancel their shares and forfeit to the Society the amount standing to the credit of such member in the share ledger of the Society, together with any sum of money representing interest or dividend credited to the member in the books of the Society in respect of their shares except amounts of investing members accruing interest.

Post Retirement Benefits

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

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full.

The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

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

No depreciation is provided on Freehold Land.

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

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

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

Group Revenue Account

53 weeks ended 31st January 2015

	Note	2015		2014	
		53 weeks		52 weeks	
		£	£	£	£
GROSS TAKINGS			104 509 438		99 868 832
less Agency & Concession Turnover excluded under the provisions of FRS 5	1(a)		23 411 945		22 420 658
SALES			81 097 493		77 448 174
Less Value Added Tax			7 417 558		6 995 186
TURNOVER	1(b)		73 679 934		70 452 988
Cost of Sales			51 136 673		48 836 888
GROSS PROFIT			22 543 261		21 616 100
Expenses	2		20 381 391		19 673 300
TRADING SURPLUS			2 161 870		1 942 800
Exceptional Charges	3		20 071		-
Surplus before Interest			2 141 799		1 942 800
Net Interest Payable	4	263 000		257 000	
Other Finance costs	24	(80 000)		(11 000)	
			183 000		246 000
SURPLUS FOR YEAR BEFORE DISTRIBUTIONS			1 958 799		1 696 800
Share Interest		297 839		279 014	
Grants & Donations	6	224 000		206 000	
			521 839		485 014
SURPLUS FOR YEAR BEFORE PAYMENTS TO MEMBERS			1 436 960		1 211 786
'Share of the Profits' to members			121 865		100 534
SURPLUS FOR YEAR BEFORE TAXATION			1 315 095		1 111 252
Taxation	7		278 210		247 120
SURPLUS FOR YEAR TO RESERVES			1 036 885		864 132

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

53 weeks ended 31st January 2015

	Note	2015		2014	
		53 weeks		52 weeks	
		£	£	£	£
USE OF FUNDS					
FIXED ASSETS					
Intangible Assets	8		3 182 069		3 433 375
Tangible Assets	9		16 598 248		16 208 035
Investments	10		65 399		65 399
			19 845 716		19 706 809
CURRENT ASSETS					
Stocks		4 103 027		3 862 366	
Debtors & Prepayments	11	4 055 882		3 590 427	
Investments	10	7 731		5 258	
Bank		66 415		27 883	
Cash in hand		408 450		361 601	
		8 641 505		7 847 535	
CURRENT LIABILITIES					
Amounts falling due within one year:					
Creditors - Member Rewards		150 497		170 512	
- Trade	12	4 594 281		4 143 352	
- Sundry	12	1 442 012		1 319 575	
- Bank overdraft	13	-		670 731	
Loans - Banks	13	1 063 754		1 028 532	
- Other	13	548 858		545 798	
		7 799 402		7 878 500	
NET CURRENT ASSETS/(LIABILITIES)			842,103		(30 965)
TOTAL ASSETS LESS CURRENT LIABILITIES			20,687,819		19 675 844
LONG TERM LIABILITIES					
Amounts falling due after more than one year:					
Creditors - Funeral plans	12	58 856		65 788	
Loans - Banks	13	4 306 025		5 401 291	
- Other	13	1 162 303		1 111 320	
			(5 527 184)		(6 578 399)
Provisions for liabilities and charges	14		849 670		1 073 680
NET ASSETS EXCLUDING PENSION LIABILITY			16 010 505		14 171 125
Net Pension Liability	24		(3 144 000)		(2 043 200)
NET ASSETS INCLUDING PENSION LIABILITY			12 866 505		12 127 925
FINANCED BY:					
SHARE CAPITAL					
Current Interest Due	15	8 585 214		7 346 820	
	15	284 558		266 596	
			8 869 772		7 613 416
RESERVES					
General Reserve	16	3 613 506		4 131 021	
Non-Distributable Reserve	16	383 227		383 488	
			3 996 733		4 514 509
MEMBERS' FUNDS			12 866 505		12 127 925

The annexed notes form part of the financial statements.

Group Cashflow Statement

53 weeks ended 31st January 2015

	Note	2015 53 weeks £	2014 52 weeks £
NET CASH INFLOW			
OPERATING ACTIVITIES	17	3 086 445	2 843 885
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	18	(524 913)	(521 604)
TAXATION			
Corporation Tax (Paid)/Refunded		-	-
CAPITAL EXPENDITURE, DISPOSALS AND FINANCIAL INVESTMENT	19	(1 054 290)	(1 192 746)
NET CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES & FINANCING		1 507 242	1 129 535
MANAGEMENT OF LIQUID RESOURCES			
Net Cash withdrawn from (added to) Investments		(2 473)	(3 680)
FINANCING	20	(748 657)	(757 810)
INCREASE (REDUCTION) IN CASH		756 112	368 045
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT	21		
		£	£
Increase/(Reduction) in Cash		756 112	368 045
Cash outflow/(inflow) from debt and finance leasing		454 826	1,459,656
Cash outflow/(inflow) from liquid resources		2 473	3 680
Change in Net Debt from cashflows		1 213 411	1 831 381
New Finance Leases and Loans		551 175	(2 062 005)
MOVEMENT IN NET DEBT		1,764,586	(230 624)
NET DEBT TO BEGIN YEAR		(8 362 930)	(8 132 306)
NET DEBT TO END YEAR		(6 598 344)	(8 362 930)

The annexed notes form part of the financial statements.

Group Statement of Total Recognised Gains & Losses (STRGL)

53 weeks ended 31st January 2015

	Note	2015 53 weeks £	2014 52 weeks £
Surplus for Year after taxation from Revenue Account		1 036 885	864 132
Actuarial Loss on pension scheme	24	(1 943 000)	(174 000)
Movement in deferred tax relating to pension scheme	7	388 600	(47 220)
Origination and reversal of timing differences	7	-	-
Total (losses)/gains recognised since the last Annual Report		(517 515)	642 912

The annexed notes form part of 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).

	2015 53 weeks £	2014 52 weeks £
Bill payments accepted in Food stores	16 758 832	16 004 222
Bill payments accepted in Non-Food stores	477 457	443 095
Concession Takings including VAT (Non Food)	3 385 741	3 289 558
Agency turnover less commission (Travel)	2 789 915	2 683 783
Exclude from 'Turnover' per FRS 5	<u>23 411 945</u>	<u>22 420 658</u>

Note 1(b) Net Sales

	£	£
Food	77 596 431	75 505 022
less Bill payments (Bills)	<u>16 758 832</u>	<u>16 004 222</u>
	60 837 599	59 500 800
Non-Food	8 502 401	8 147 402
less Concession Sales and Bills	2 699 138	2 617 114
less Bill payments (Bills)	<u>477 457</u>	<u>443 095</u>
	5 325 806	5 087 193
Funeral Services	1 766 788	1 712 735
Travel	8 225 887	6 545 522
less Sales as Agent	<u>2 731 194</u>	<u>2 631 551</u>
	5 494 693	3 913 971
Rental Property Income	255 048	238 289
	<u>73 679 934</u>	<u>70 452 988</u>

Note 2 Expenses

	2015 53 weeks £	2014 52 weeks £
Personnel Costs (Note 5b)	10 328 787	10 188 001
Occupancy Costs	2 526 464	2 174 821
Water and Energy Costs	964 247	1 015 119
Operating lease rentals: other	22 783	36 514
Depreciation of owned assets	887 996	821 219
Depreciation of assets held under finance leases	307 185	248 634
Amortisation of intangible fixed assets	251 306	251 904
Auditors fee: - Audit	27 040	25 900
- Non Audit	21 849	9 948
Directors' & Committee Fees (Note 5f)	55 380	51 845
Other Expenses	4 988 354	4 849 395
	<u>20 381 391</u>	<u>19 673 300</u>

Auditors fees includes £22,450 of audit fees payable to the current auditors Bird Luckin Limited and £4,460 payable to KPMG as auditors to the Chelmsford Star Co-operative Society Pension Fund Ltd.

Note 3 Exceptional Charges

	2015 53 weeks £	2014 52 weeks £
Accelerated depreciation	<u>20 071</u>	<u>-</u>

Notes to the Financial Statements

53 weeks ended 31st January 2015

Note 4 Net Interest Payable

	2015 53 weeks £	2014 52 weeks £
Interest Payable (per Note 13)	266 692	260 692
less Interest Receivable (per Note 10)	<u>(3 692)</u>	<u>(3 692)</u>
	<u>263 000</u>	<u>257 000</u>

Note 5 Employees

	2015 Number	2014 Number
a) The average number of employees during the year was:-		
Full-time	268	277
Part-time	<u>563</u>	<u>555</u>
	<u>831</u>	<u>832</u>

	2015 53 weeks £	2014 52 weeks £
b) The costs in respect of employees were:-		
Salaries and Wages	9 587 380	9 395 862
Social Security Costs	586 407	605 139
Pension Fund Costs (Note 24)	<u>155 000</u>	<u>187 000</u>
	<u>10 328 787</u>	<u>10 188 001</u>

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:-

	2015 Number	2014 Number
£1 to £35,000	2	3
£35,001 to £45,000	1	-
£45,001 to £55,000	1	2
£55,001 to £65,000	1	1
£65,001 to £75,000	2	1
£75,001 to £85,000	-	2
£85,001 to £95,000	1	-
£95,001 to £115,000	-	-
£115,001 to £125,000	1	-
£125,001 to £135,000	-	-
£135,001 to £165,000	-	1
£165,001 to £185,000	-	-
£185,001 to £195,000	1	-
£195,001 to £215,000	-	-
£215,001 to £250,000	-	1

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

	2015 53 weeks £	2014 52 weeks £
Salaries	603 634	754 294
Bonus	-	53 746
Taxable Benefits	<u>53 116</u>	<u>37 853</u>
	<u>656 750</u>	<u>845 893</u>
Employer Pension Contributions at current service cost	<u>50 030</u>	<u>47 816</u>
	<u>706 780</u>	<u>893 709</u>

Note 5 Employees continued

	2015 53 weeks £	2014 52 weeks £
e) The total remuneration of the Chief Executive Officer (the highest paid employee) (2013: highest paid employee was the former Chief Executive) included in the above was as follows:-		
Salary	158 998	221 253
Bonus	-	23 093
Taxable Benefits	<u>11 394</u>	<u>5 021</u>
	170 392	249 367
Pension Contribution at Current Service Cost and Salary Supplement (2013/14)	<u>20 669</u>	<u>4 825</u>
	<u>191 061</u>	<u>254 192</u>
f) Fees paid to Directors in respect of Board duties were:-		
	£	£
President including Sub-committee fees, etc PR Dodd	<u>9 360</u>	<u>8 692</u>
	9 360	8 692
Directors including Sub-committee fees, etc	<u>41 940</u>	<u>38 824</u>
Directors' fees	<u>51 300</u>	<u>47 516</u>
Non-Board Membership Committee fees	1 440	1 646
Employee Trustees	<u>2 640</u>	<u>2 683</u>
Total paid to elected representatives	<u>55 380</u>	<u>51 845</u>

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

Note 6 Grants and Donations

	2015 53 weeks £	2014 52 weeks £
Membership Committee	138 924	145 676
Co-op Party Grant	6 426	6 583
Donations, Bereavement Groups and Community Card	<u>78 650</u>	<u>53 741</u>
	<u>224 000</u>	<u>206 000</u>

Note 7 Taxation

Analysis of tax charge for the period

	£	£
Current Tax		
Total UK Corporation tax at 20% (2014 - 20%)	<u>Nil</u>	<u>Nil</u>

Deferred tax

	£	£
Origination and reversal of timing differences	278 210	84 077
Effect of tax rate change on opening balance	-	163 043
Taxation on surplus on ordinary activity	<u>278 210</u>	<u>247 120</u>

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

	£	£
Deferred tax		
Effect of tax rate change on opening Pension Liability		82 020
Current year movement on deficit reduction	<u>(388 600)</u>	<u>(34 800)</u>
	<u>(388 600)</u>	47 220
Origination and reversal of timing differences	-	-
Tax included in the Statement of Recognised Gains and Losses	<u>(388 600)</u>	<u>47 220</u>

The society has unutilised tax losses of £3,600,034 as at 31st January 2015 (£4,751,801 as at 25th January 2014)

Note 7 Taxation continued

	2015 53 weeks £	2014 52 weeks £
Current tax reconciliation		
Surplus on ordinary activities before tax	1 315 095	1 111 252
Current tax at 21.34% (2014 23.17%)	280 638	257 475
Effects of:		
Fixed asset differences	67 531	73 370
Expenses not deductible for tax purposes	12 641	13 090
Difference between depreciation and capital allowances	26 404	38 393
Other short term timing differences	(1 635)	(500)
Other permanent timing differences	3 611	9 675
Pension scheme timing differences	356 587	(41 706)
Group relief surrendered/claimed	-	-
Utilisation of tax losses and other deductions	(331 146)	(309 481)
Amounts charged to STRGL	(414 631)	(40 316)
Total current tax charge for the period (see above)	-	-

Note 8 Fixed Assets - Intangible

	£
Goodwill	
Cost at January 2014	5 036 396
Additions	-
Written Off	-
	5 036 396
Amortisation at January 2014	1 603 021
Provided this year	251 306
Written Off	-
	1 854 327
Net Book Value - January 2015	3 182 069
Net Book Value - January 2014	3 433 375

Note 9 Fixed Assets - Tangible Owned and Leased

	Land & Buildings £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or valuation				
Brought forward at January 2014	15 081 940	8 340 346	426 170	23 848 456
Additions	449 721	1 143 035	12 709	1 605 465
Disposals	-	-	-	-
Fully Written Off and Adjustments	-	-	-	-
	15 531 661	9 483 381	438 879	25 453 921
Depreciation				
Brought forward at January 2014	3 669 788	3 709 645	260 988	7 640 421
Disposals	-	-	-	-
Fully Written Off and Adjustments	1 330	18 741	-	20 071
Provided this year	303 982	814 360	76 839	1 195 181
	3 975 100	4 542 746	337 827	8 855 673
Net Book Value - January 2015	11 556 561	4 940 635	101 052	16 598 248
Net Book Value - January 2014	11 412 152	4 630 701	165 182	16 208 035

Note 9 continued

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

	2015	2014
	£	£
At Cost less depreciation		
Freehold	9 024 569	8 298 977
Freehold - Non Trading*	1 215 459	1 760 106
Short Leasehold*	1 316 533	1 353 069
	11 556 561	11 412 152

*Assets held for use in operating leases. The historical cost of these assets as at 31st January 2015 was £1,455,380 (25th January 2014 - £1,966,502). The accumulated depreciation of these assets as at 31st January 2015 was £190,213 (25th January 2014 - £159,775).

Finance Leases

The following amounts are included in Fixed Assets on previous page and relate to assets leased under current finance leases:

	Land & Buildings	Fixtures & Fittings	Motor Vehicles	Total
	£	£	£	£
Cost				
Brought forward at January 2014	298 719	2 409 671	293 567	3 001 957
Additions	-	537 997	-	537 997
Leases expired and disposals	(35 719)	(740 663)	(1 885)	(778 267)
	263 000	2 207 005	291 682	2 761 687
Depreciation				
Brought forward at January 2014	24 111	468 111	170 861	663 083
Provided this year	9 848	236 079	61 267	307 185
Leases expired and disposals	(8 930)	(345 227)	(13 472)	(367 629)
	25 029	358 954	218 656	602 639
Net Book Value - January 2015	237 971	1 848 051	73 026	2 159 048
Net Book Value - January 2014	274 608	1 941 560	122 706	2 338 874

Note 10 Investments

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

	Fixed Assets		Current Assets		Interest	
	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£
The Co-operative Group						
- Shares	61 270	61 270	-	-	3 663	3 678
- Loans	-	-	7 731	5 258	29	14
Other I & P Societies						
- Shares	4 129	4 129	-	-	-	-
	65 399	65 399	7 731	5 258	3 692	3 692
Total Interest Receivable per Note 4					3 692	3 692

Note 11 Debtors

	Receivable Within One Year		Receivable After One Year		Total per Balance Sheet	
	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£
Customer Debts						
- Travel	967 286	820 567			967 286	820 567
- Funeral	230 052	210 071			230 052	210 071
- Property	22 094	60 068			22 094	60 068
- Others	407 392	149 125			407 392	149 125
Expenses						
- Prepayments	712 976	656 826			712 976	656 826
- Stocks	55 799	53 694			55 799	53 694
Trade Debts (Credits due)	1 538 480	1 468 816			1 538 480	1 468 816
Corporation Tax Repayable	-	-	20 723	20 723	20 723	20 723
Other Sundry Debts	101 080	150 537			101 080	150 537
	4 035 159	3 569 704	20 723	20 723	4 055 882	3 590 427

Note 12 Creditors

	Current - Falling Due Within One Year		Long Term - Falling Due After One Year	
	2015	2014	2015	2014
	£	£	£	£
Trade Creditors				
Ledgered	3 323 699	3 030 681		
Unledgered	1 270 582	1 112 671		
	4 594 281	4 143 352		
Sundry Creditors				
Holiday Pay	41 015	48 677		
Week in Hand Payroll	152 732	149 360		
Accrued Charges	582 148	664 780		
Sales Deposits	110 360	128 565		
VAT due to HM Revenue and Customs	249 686	82 992		
PAYE due to HM Revenue and Customs	92 955	77 075		
National Insurance due to HM Revenue and Customs	96 681	81 398		
Funeral Plans - former scheme	6 540	7 310	58 856	65 788
Miscellaneous Creditors	109 895	79 418		
	1 442 012	1 319 575	58 856	65 788
TOTAL	6 036 293	5 462 927	58 856	65 788
Trade Creditor Days - Number of days	22.0	19.8		

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

Note 13 Loans

	Falling Due Within One Year		Falling Due After One Year		Interest Payable	
	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£
Bank Overdraft and miscellaneous (a)	-	670 731	-	-	17 618	13 830
Co-op Bank - Treasury Loans (b)	687 525	665 581	3 012 169	3 707 100	106 228	122 564
Allied Irish Bank Loans (c)	114 869	110 397	297 648	420 748	8 466	10 173
Clydesdale Bank Loans (d)	63 170	60 778	436 328	499 757	20 671	22 698
Barclays Bank Loan (e)	198 190	191 776	559 880	773 686	27 344	9 699
Bank Loans sub-total	1 063 754	1 028 532	4 306 025	5 401 291		
Finance Leases (f)	548 858	545 798	1 162 303	1 111 320	86 365	81 728
	1 612 612	2 245 061	5 468 328	6 512 611	266 692	260 692
Total Interest Payable - see Note 4					266 692	260 692

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 5 years from date of advance
- (f) 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 by legal charge on specific property
- Secured against leased assets

Interest

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

£1,164,479 (2014: £901,524) of leased assets are secured by a cross guarantee over three of the Society's freehold properties.

Note 13 Loans - continued

Commitments

	Bank Loans		Finance Leases	
	2015	2014	2015	2014
	£	£	£	£
Loan amounts falling due:				
Current Liabilities - Within One Year	1 063 754	1 028 532	548 858	545 798
Between One and Two Years	779 972	1 052 047	384 764	958 615
Between Three and Five Years	1 803 204	2 132 177	777 539	152 705
In more than Five Years	1 722 849	2 217 067	-	-
Long Term Liabilities - Sub Total	4 306 025	5 401 291	1 162 303	1 111 320
Total loans and Total Leases	<u>5 369 779</u>	<u>6 429 823</u>	<u>1 711 161</u>	<u>1 657 118</u>

Operating Leases

As at 31 January 2015 the Group had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings		Others	
	2015	2014	2015	2014
	£	£	£	£
Operating leases expiring:				
Within One Year	15 000	31 500	28 012	20 004
Between Two and Five Years	185 500	180 000	38 712	55 084
In more than Five Years	743 300	756 900	-	-
	<u>943 800</u>	<u>968 400</u>	<u>66 724</u>	<u>75 088</u>

Note 14 Provisions for Liabilities and Charges

	2015	2014
	£	£
Provision for deferred tax		
Defined benefit pension scheme	(845 000)	(510 800)
Tax losses carried forward and other deductions	(849 870)	(1 073 680)
Total deferred tax asset	<u>(1 694 870)</u>	<u>(1 584 480)</u>
Movement in provision		
Provisions at 25th January 2014	1 584 480	1 878 820
Deferred tax charged in the Revenue Account in the period	(278 210)	(247 120)
Statement of Recognised Gains and Losses in the period (see Note 7)	388 600	(47 220)
Provisions at 31st January 2015	<u>1 694 870</u>	<u>1 584 480</u>

Note 15 Share Capital

	2015	2014
	£	£
Balance to Begin Year	7 346 820	7 290 578
Interest Previous Year	266 596	275 092
Interest - Interim and account closures	13 280	12 418
Contributions	1 836 772	524 838
Dormant accounts reactivated	261	303
Sub total	<u>9 463 729</u>	<u>8 103 229</u>
Less Withdrawals	<u>878 515</u>	<u>756 409</u>
Balance to End Year	<u>8 585 214</u>	<u>7 346 820</u>
Interest provided at 31st January 2015 (25th January 2014)	<u>284 558</u>	<u>266 596</u>

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 Conduct Authority.

Note 16 Reserves

	2015	2014
	£	£
A) General Reserve		
Balance to begin the year	4 131 021	3 488 109
From Revenue account	1 036 885	864 132
From STRGL:		
Actuarial loss	(1 943 000)	(174 000)
Movement in pension scheme deferred tax	388 600	(47 220)
Deferred tax on origination and reversal of timing differences	-	-
Balance to End Year	<u>3 613 506</u>	<u>4 131 021</u>
B) Non-Distributable Reserve		
Dormant Share Capital Balance to Begin Year	383 488	383 791
Dormant Loans Transferred from Creditors	-	-
Transfers to Active Share Capital	(261)	(303)
Balance to End Year	<u>383 227</u>	<u>383 488</u>

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

	2015	2014
	53 weeks	52 weeks
	£	£
Trading Surplus	2 141 799	1 942 800
FRS 17 pension adjustments	(26 000)	5 000
Grants and Donations	(178 576)	(214 235)
Depreciation	1 215 252	1 069 854
(Profit)/loss on sale of fixed assets	-	(2 306)
Amortisation of Goodwill	251 306	251 904
(Increase)/Decrease in Stocks	(240 661)	36 539
(Increase)/Decrease in Debtors	(465 455)	(542 124)
Increase/(Decrease) in Creditors	388 780	296 453
Net Cashflow from continuing operating activities	<u>3 086 445</u>	<u>2 843 885</u>

Note 18 Returns on Investments and Servicing of Finance

	2015 53 weeks	2014 52 weeks
	£	£
Interest Received	2 473	3 680
Interest Paid	(183 003)	(180 696)
Interest Element of Finance Lease Rentals	(84 417)	(82 699)
Share Interest Paid	(259 966)	(261 889)
Net Cashflow for Returns on Investments and Servicing of Finance	<u>(524 913)</u>	<u>(521 604)</u>

Note 19 Capital Acquisitions, Disposals and Financial Investment

	£	£
Purchase of Intangible Fixed Assets	-	(83 687)
Purchase of Tangible Fixed Assets	(1 054 290)	(1 119 059)
Purchase of Fixed Asset Investment	-	-
Proceeds from Tangible Fixed Assets	-	10 000
Net Cashflow for Capital Expenditure Disposals and Financial Investment	<u>1 054 290</u>	<u>(1 192 746)</u>

Note 20 Financing

	£	£
Share Capital increase (reduction)	1 218 222	30 318
Other Bank Loan repayments	(387 057)	(234 928)
Co-operative Bank Treasury Loan repayments	(672 987)	(654 943)
Funeral Schemes	(7 702)	(5 472)
Capital Repayment of Finance Lease Rentals	(497 133)	(569 785)
New Bank Loans drawdown	-	1 025 000
Repayment of Pension Fund deficit	(402 000)	(348 000)
Net Cashflow from Financing	<u>(748 657)</u>	<u>(757 810)</u>

Note 21 Analysis of Net Debt

	To Begin	Cash Flows	Non-Cash Changes	To End
	£	£	£	£
Debt due within one year	(1 028 532)	(35 222)	-	(1 063 754)
Debt due after one year	(5 401 291)	1 095 266	-	(4 306 025)
Finance Leases	(1 657 118)	(605 218)	551 175	(1 711 161)
	<u>(8 086 941)</u>	<u>454 826</u>	<u>551 175</u>	<u>(7 080 940)</u>
Cash at Bank and in hand	(281 247)	756 112	-	474 865
Current Asset Investments	5 258	2 473	-	7 731
	<u>(8 362 930)</u>	<u>1 213 411</u>	<u>551 175</u>	<u>(6 598 344)</u>

Note 22 Major Non-Cash Transactions

During the year the Society entered into finance lease arrangements with a total capital value of £551,175 (January 2014 - £1,037,005).

Note 23 Capital Commitments

At 31 January 2015 there are capital commitments amounting to £77,534 that were authorised but not contracted for (January 2014 - £45,000) and £130,276 contracted for not provided for (January 2014 - £713,000) in these financial statements.

Note 24 Accounting for Pensions

Pension Disclosure under FRS 17

	At year end 31st January 2015 £	At year end 25th January 2014 £
Change in benefit obligation		
Benefit obligation at beginning of year	15 023 560	14 657 560
Current service cost	155 000	187 000
Interest cost	684 000	683 000
Member contributions	112 000	117 000
Actuarial losses	2 848 000	(57 000)
Benefits paid	(591 000)	(564 000)
Benefit obligations at year end	<u>18 231 560</u>	<u>15 023 560</u>

Change in plan assets

Fair value of plan assets at beginning of year	12 469 560	11 923 560
Expected return on plan assets	764 000	694 000
Actuarial gains on plan assets	905 000	(231 000)
Employer contributions	583 000	530 000
Member contributions	112 000	117 000
Benefits paid	(591 000)	(564 000)
Fair value of plan assets at year end	<u>14 242 560</u>	<u>12 469 560</u>

Amounts recognised in the Balance Sheet

Plans wholly unfunded and plans wholly or partly funded

Present value of wholly or partly funded obligations	18 231 560	15 023 560
Fair value of plan assets	14 242 560	12 469 560
Deficit for funded plans	3 989 000	2 554 000
Present value of wholly unfunded obligations	-	-
Related deferred tax liability	-	-
Unrecognised past service (cost) benefit	-	-
Effect of asset limit	-	-
Deferred tax at 20% (2014 - 20%) (Note 14)	(845 000)	(510 800)
Net liability	<u>3 144 000</u>	<u>2 043 200</u>

Amounts in the Balance sheet

Liabilities	3 144 000	2 043 200
Assets	-	-
Net Liability	<u>3 144 000</u>	<u>2 043 200</u>

	At year end 31st January 2015 £	At year end 25th January 2014 £
Components of Pension cost		
<i>Amounts recognised in the Revenue Account</i>		
Current service cost	155 000	187 000
Interest cost	684 000	683 000
Expected return on plan assets	(764 000)	(694 000)
Other Finance costs	(80 000)	(11 000)
Past service costs	-	-
Total pension cost recognised in the Revenue Account	<u>75 000</u>	<u>176 000</u>
Actual return on plan assets	<u>1 669 000</u>	<u>463 000</u>
<i>Amount recognised in STRGL</i>		
Actuarial gains (losses) immediately recognised	(1 943 000)	(174 000)
Effect of asset limit	-	-
Total pension cost recognised in the STRGL	<u>(1 943 000)</u>	<u>(174 000)</u>
Cumulative amount of actuarial gains (losses) immediately recognised	<u>6 855 500</u>	<u>4 912 500</u>

Note 24 Accounting for Pensions (continued)

Principal actuarial assumptions

Weighted average assumptions used to determine benefit obligations at

	31st January 2015	25th January 2014
Discount rate	3.2%	4.6%
Rate of inflation	2.7%	3.2%
Rate of increase in pensions in deferment	2.7%	3.2%
Rate of increase in pensions in payment (5% LPI)	2.7%	3.1%
Rate of increase in pensions in payment (2.5% LPI)	2.0%	2.2%

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

	31st January 2015	25th January 2014
Discount rate	4.6%	4.7%
Expected long-term rate of return on plan assets	6.1%	5.8%
Rate of inflation	3.2%	3.3%
Rate of increase in pensions in deferment	3.2%	3.3%
Rate of increase in pensions in payment (5% LPI)	3.1%	3.2%
Rate of increase in pensions in payment (2.5% LPI)	2.2%	2.5%

Assumed life expectations on retirement at age 65

	31st January 2015	25th January 2014
	Years	Years
		<i>Male</i>
Retiring today (member age 65)	22.6	22.5
Retiring in 20 years time (member age 40 today, 40-2014)	24.4	24.3
		<i>Female</i>
Retiring today (member age 65)	25.1	25.0
Retiring in 20 years time (member age 40 today, 40-2014)	27.0	27.0

Plan assets

Percentage of plan assets by asset allocation

	31st January 2015	25th January 2014
Equities	62.0%	61.0%
Bonds	27.0%	29.0%
Real Estate	9.0%	9.0%
Other	2.0%	1.0%
	100%	100%

Expected return on assets by asset allocation

Equity securities	5.5%	7.1%
Debt securities	2.0%	3.6%
Property	5.5%	7.1%
Other	2.0%	3.6%
	4.5%	6.1%

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 historical level of the risk premium associated with other asset classes in which the portfolio is invested and the expectation 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 6.1% assumption for the year ending January 2015 and the 4.5% assumption for the year ending January 2016.

Note 24 Accounting for Pensions (continued)

History of experience gains and losses

	Financial Year ending in January				
	2015	2014	2013	2012	2011
	£	£	£	£	£
Benefit obligations at year end	18 231 560	15 023 560	14 657 560	13 361 774	12 292 534
Fair value of plan assets at year end	14 242 560	12 469 560	11 923 560	10 808 774	9 661 534
Deficit	3 989 000	2 554 000	2 734 000	2 553 000	2 631 000
Difference between actual and expected return on scheme assets					
amount	905 000	(231 000)	(549 000)	(325 000)	(712 500)
percentage of plan assets	6.0%	(2.0%)	(5.0%)	(3.0%)	(7.0%)
Experience gains and (losses) on plan liabilities					
amount	-	-	244 000	-	-
percentage of scheme liabilities	0%	0%	2%	0%	0%

Other required disclosure amounts

Contributions expected to be paid to the plan during the year beginning after this reporting period - i.e. to 31st January 2016 amount to £636,000.

Balance Sheet reconciliation excluding related deferred taxation

	31 January 2015	25 January 2014
	£	£
Net liability at the beginning of the year	2 554 000	2 734 000
Pension expense recognised in the Revenue Account in the year	75 000	176 000
Amounts recognised in the STRGL in the year	1 943 000	174 000
Employer's contributions in the year	(583 000)	(530 000)
Net liability at the end of the year	3 989 000	2 554 000

The Society operates a defined benefit pension scheme (the plan) - *The Chelmsford Star Co-operative Society Limited Employees' Superannuation Fund*.

A full actuarial valuation was carried out as at 28 January 2012 and updated to 31 January 2015 by a qualified independent actuary.

The service cost has been calculated using the Projected Unit method.

Note 25 Subsidiary Society

At 31 January 2015 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 society is Property Management.

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

We have audited the group and parent society financial statements of Chelmsford Star Co-operative Society Limited for the year ended 31 January 2015, 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 in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the society's members, as a body, in accordance with Section 83 of the Co-operative and Community Benefit Societies Act 2014. 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 directors and the auditor

As explained more fully in the Statement of the Directors' Responsibilities set out on page 14, 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 Ethical Standards for Auditors.

Scope of the audit

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 directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent society's affairs as at 31 January 2015 and of its income and expenditure for the period then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of internal 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.

Bird Luckin Limited.

Bird Luckin Limited

For and on behalf of
Bird Luckin Limited
Aquila House
Waterloo Lane
Chelmsford
Essex
CM1 1BN

31st March 2015

Group Value Added Statement

53 weeks to 31st January 2015

	2015 53 weeks		2014 52 weeks	
	£	%	£	%
NET SALES including asset sale proceeds	81 097 493		77 448 174	
Less Value Added Tax	7 417 558		6 995 186	
TURNOVER	73 679 935		70 452 988	
Less Bought-in materials, services and net book value of disposals	58 629 800		55 903 332	
VALUE ADDED IN THE YEAR	15 050 135	100.0%	14 549 656	100%
APPLIED AS FOLLOWS:				
To Employees				
Net pay	8 077 540		7 886 022	
Employees' Income Tax, National Insurance and pension contributions	1 509 840		1 509 840	
Society contributions for National Insurance	586 407		605 139	
Society normal contributions to the pension fund	155 000		187 000	
	10 328 787	68.63%	10 188 001	70.02%
To Members and other providers of capital				
Share interest	297 839		279 014	
Interest on bank loans	180 327		178 964	
Interest on other loans and leases	86 365		81 728	
Other finance costs - pension fund	80 000		11 000	
Rent payable	1 109 096		1 094 819	
	1 593 627		1 623 525	
less investment income and rents receivable	(66 426)		(62 116)	
	1 527 201	10.15%	1 561 409	10.73%
To Members and customers				
Share of the profits and 500 Club rewards	208 565		163 543	
Other member benefits and donations	85 076		62 692	
Member Relations activities	138 924		143 308	
	432 565	2.87%	369 543	2.54%
For the replacement of assets and expansion of the Society				
Depreciation	1 446 487		1 319 451	
Retained pre-tax surplus	1 315 095		1 111 252	
	2 761 582	18.35%	2 430 703	16.71%
	15 050 135	100.0%	14 549 656	100.0%

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 Secretary in writing, signed by the member giving the notice, not later than twenty one clear days prior to the date of the meeting. Any amendments to any proposal on the agenda at any general meeting must be received in writing 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. Immediately before the mover replies, and before a vote is taken, the Board of Directors shall have the right to speak for not more than six minutes.
6. An amendment to a motion must be moved and seconded. No other amendment may be discussed until the first amendment has been disposed of. No person may move or second more than one amendment to the original motion. If an amendment be carried it becomes the substantive motion. Voting on motions and amendments will be on a show of hands or voting cards, if issued.
7. Any member who has not spoken to the question before the meeting may at any time during the course of the debate move “That the question be now put”. Such motion (if accepted by the Chair) must be made without any accompanying speech and must be forthwith put without amendment or debate, and should such motion be adopted, the chairman shall, subject to the right of reply of the mover of the question under discussion, at once put the question.
8. Any member choosing to speak upon any question whatsoever must rise in his place and address himself to the chairman. When two or more members rise at the same time, the chairman shall indicate the member who is to speak first. Members should state their name and may speak from the Rostrum at their discretion.
9. Whenever the chairman rises to speak, no member shall continue standing, nor shall any member rise until the chairman resumes his seat.
10. A member shall confine his speech strictly to the motion under discussion, or to the amendment or to a question of order.
11. The chairman may call attention to continued irrelevance, tedious repetition, or any breach of order on the part of a member and may direct such member to discontinue his speech.
12. Any one or more of these standing orders may be suspended at any meeting by the vote of a two-thirds majority of members present at the meeting. The decision of the chairman upon any point of order shall be final.

Complaints by Members

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

Chelmsford Star Co-operative Society Limited

Registered office: 220 Moulsham Street, Chelmsford, Essex. Registered number: 973R, Essex
www.chelmsfordstar.coop • email: members@chelmsfordstar.coop

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