

annual report & accounts

for year ended 26 January 2002

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Directors, Officers and Advisors

President Mr John P Cronan (9)

Vice President Mr David Moon Snr (8)

Minute Secretary Mr James Duffy (8)

DIRECTORS

Mr J Anderson (9), Mr R Brown (8), Mr H Cairney (5), Mrs J Cronan (9), Mr J Gilchrist (8), Mr J Hill (9), Mrs M Hume (9), Mr P Kane (8), Mrs C Kerr (9), Mr G Manderson (8), Mr D Moon Jnr (9), Mr H Smallman (8), Mr J Watson (9), Mrs M Wilkinson (6), Miss A Williamson (9)

9 Board meetings held. The figure after each name indicates the number of meetings attended.

OFFICERS AND ADVISORS

Chief Executive Officer and Secretary Mr Colin S Bird, FFA

Depute Chief Executive and Head of Finance Mr John R Brodie, CA

Auditors Deloitte & Touche

Bankers Royal Bank of Scotland plc

Registered Office 92 Fountainbridge, Edinburgh, EH3 9QE

AREA COMMITTEES

EAST

Mr J P Cronan (Chairman) (5), *Miss A Williamson (Vice Chairman) (5), Mr J Duffy (Minute Secretary) (5), Mr H Smallman (Treasurer) (5), Mr R Brown (5), *Mr H Cairney (2), Mrs J Cronan (5), Mr J Hill (4), *Mr D Jamieson (3), Mrs C Kerr (5), *Mr J Lynch (5), #Mr G Manderson (4), Mr F Murphy (4), Mr G O'Brien (5), Mr D Paterson (4), Mrs G Smallman (5), ~ Mrs M Wilkinson (4)

5 meetings held.

WEST

#Mr D Moon Snr (Chairman) (4), *Mr P Kane (Vice Chairman) (5), Mr T McKnight (Minute Secretary) (3), *Mr J Gilchrist (Treasurer) (5), *Mr I Bailey (5), Mr M Clark (5), *Mr P Devenney (5), Mr A Dewson (5), #Mrs M Flynn (2), *Mrs M Hume (5), Mr R Kelt (4), Mr D McGrouther (4), Mr J Middleton (4), Mr D Moon Jnr (5), ~Mr J Reid (5), Mr J Watson (5)

5 meetings held.

NORTH

Mr J Anderson (Chairman) (5), #Mr R Gilbert (Vice Chairman) (4), Mrs M Smith (Minute Secretary) (4), Mrs A Anderson (5), Mrs E Morton (5), Mr D Todd (4)

5 meetings held.

Those marked * retire by rotation and are eligible for re-election.

Those marked # retire under the Age Rule and are not eligible for re-election.

Those marked ~ are not seeking re-election.

Directors' Report

In a climate of intense competition for all areas of the retail sector, the Society has produced a strong performance resulting in an increase of 6% in net worth. Surplus for the year is over £3m showing a healthy increase of 64% allowing a transfer to reserves of £2m after tax.

The application of technology to the store environment has proved extremely significant during the past year. This is a major investment by the Society in both financial and in human resource terms. The results are already evident from various trial locations where we are finding ourselves better placed to meet the needs of our customers.

Retail

Restructuring took place in the early part of the year to bring Food and Semi-Chem together as Retail Division. The aim is to create business synergy. This is currently happening with the new technology being developed simultaneously for both businesses. The difference in the underlying ethos of both retail sectors is being preserved while the infrastructure is harmonised.

The retail division has performed well holding its position in a market which has been unrelenting in severity this year.

Food

The introduction of sales based ordering technology to the Food division is showing promising results in the pilot store. Availability is clearly improved and more time is being dedicated to fresh food areas in store. A further seven stores were partially implemented by the year end. The store managers are keen to extend this as they are seeing for themselves the benefits it can bring to their business.

Results in the food division have been steady and although the festive season was not as buoyant as last year, the bottom line has shown the benefits of a more moderate positioning on beers, wines and spirits. The year finished slightly ahead of last year despite significant downturn in sales in two of our superstores, South Queensferry and Penicuik, due to activity of major multiples nearby.

Poor performance in the Edinburgh area has been targeted with a regeneration programme that has been successful in winning back business from the local communities by focussing on their needs as customers. The store managers and staff involved in developing this programme have a renewed confidence which is translating into better customer service and improved sales.

Scotmid Food have scored a first in Scotland by teaming up with West Lothian Council to provide a home delivery service to elderly and disabled customers, once again demonstrating the importance we place on our position as a community retailer.

A new purpose built store with parking facilities was constructed to resite the existing Coupar Angus branch. This is the first new build undertaken by Scotmid since 1992.

Two new stores were opened in the year in Newmains, Lanarkshire and Ferry Road, Edinburgh in line with the business strategy to expand the portfolio. Both are performing well. The Society is planning to open additional new stores either from the property estate of Scotmid or by acquisition, in the coming year. This will build on our position as a community based retailer.

Directors' Report

Semi-Chem

The rollout of the new electronic point of sales system combined with computerised back office has heralded a new era for Semi-Chem. The sales based ordering rollout has commenced also and, as in Food, the first signs are very encouraging. The stores are reporting increased sales and far better availability. Semi-Chem has up until now, been a relatively manual environment and so a lot of business decisions have been difficult due to the time taken to collate information. This is now changing rapidly as the new tills roll out. More accurate information is providing a better base for business development.

Semi-Chem have had a difficult year with competition increasing in the trading area. This has arisen due to increased activity by Grocery multiples in Non Food categories and new discounters appearing on the Scottish high street. Fine fragrance has been particularly badly affected. Despite this, sales have been maintained year on year in Scotland and Ireland has outstripped expectation. Stock has been maintained in the warehouse and stores at a higher level than previously in order to ensure full availability of all lines in the new year to help maximise potential sales and the current service level is reflecting this.

Northern Ireland benefited from the partial harmonisation in pay and conditions with full harmonisation planned for July 2002.

The warehouse is under new management and is constantly looking to improve its service level. A review of the warehouse and distribution operation has been carried out and the recommendations will be implemented in the new year. The warehouse is also to benefit from investment in technology which will involve the introduction of radio frequency operated hand held terminals. This will offer significant improvements in the operation of the warehouse and will ultimately benefit our customers with increased availability in stores.

A revised strategy for Semi-Chem is currently being developed to help clarify its position in the new market place.

Funeral

Very strong performance has been reported this year, particularly in Fountainbridge and Broxburn with an increase in sales of 10%. Against the background of a market in decline, this is particularly encouraging. Scotmid Funeral Service aims to deliver a consistent quality service with a strong emphasis on commitment to client care. The financial results coupled with positive feedback demonstrate that this approach is succeeding.

Property Department

The past year has been eventful for Scotmid Property with the completion of the first of many proposed property developments and the creation of a joint venture with Miller Ventures to develop two specified sites. The property strategy is to develop our existing sites to their full potential and the first completed development highlights the opportunities we have within our existing property portfolio as the conversion of vacant space above a trading unit in Leith Walk in Edinburgh has led to 12 flats being let and a substantial increase in investment property value on our balance sheet. The former Nicolson Street non food store has been converted into office space and retail units. Only one retail unit remains.

Joint ventures have the advantage of bringing significant development expertise within our reach and help spread risk. The Board have given approval for the resiting of Head Office to Newbridge and developing the site at Fountainbridge via a joint venture arrangement. Planning consents are still to be obtained for these projects.

Service Departments

The head office departments' main customers are the trading divisions of the Society and they aim to provide the necessary support for effective running of the business.

Directors' Report

The IT department has been pivotal in the development and subsequent rollout of the new systems this year. They have been involved in harnessing the skills and knowledge from all the other relevant disciplines in the business to ensure the project goes to plan. Much of this year has concentrated on development and testing of these systems with full rollout expected by early 2003. Existing systems have also required the usual support during the year which have made it a challenging time for the department.

Investment in technology has not just taken place in the branches. New software has been installed in Corporate Affairs to mechanise some stages in the production of the point of sale for stores. This has created time to allow more design work to be carried out in-house thus reducing costs for the business.

The Scotmid web site www.scotmid.coop was created by Corporate Affairs and IT. This is currently used for advertising promotions, properties and job vacancies.

Finance, Human Resources and IT have worked together in setting up the "share incentive plan" for employees which provides a tax efficient method for staff to acquire or be given shares in the business. Recent changes in tax laws have allowed this to take place and it is an extra benefit we can offer employees of the Society. This will come into operation in the early part of the new financial year.

Development of staff

Many managers and staff have benefited from courses run by Glasgow Caledonian University where Scotmid now sponsor a Chair in Retailing. The marketing information and business models have been very useful in the current revision of the Semi-Chem strategy which has involved co-operation with the Professor of Retailing.

Investors in People status has been awarded to Human Resources, Property and Development services. Progress is being made with recognition for other departments.

Human Resources have been active in the provision of training for staff in the operation of the new store systems. For many Semi-Chem managers this has been a new departure. Pre implementation courses and on site assistance has been provided to help ease the transition.

Community Activities

Once again the charity of the year will receive a large donation generated from many activities across Scotmid. In 2001, the charity selected in a vote by the employees was Chest Heart and Stroke Scotland.

In the early part of the year a Members Relations Officer was appointed and this role aims to provide closer links with members in the community and also to recruit new members. Membership information boards will be introduced to the food stores to aid this in the new year. Community activities and initiatives have been diverse and demonstrate the commitment of the business to its social responsibilities which are closely aligned to Co-operative values. Examples of these activities include, "The Breakfast Club" which is now providing a link between schools and our stores in a total of 8 locations, food on its "best by/sell by date" has been donated to the Crisis FareShare project which distributes it to Edinburgh's homeless, Semi-Chem road safety vests have once again been very popular and new initiatives such as the "Brain Gym" involving bottled water for schools, have taken place during the year.

Appreciation

The directors wish to thank our members, customers and staff for their support in the past year and look forward to an active 2002/2003.

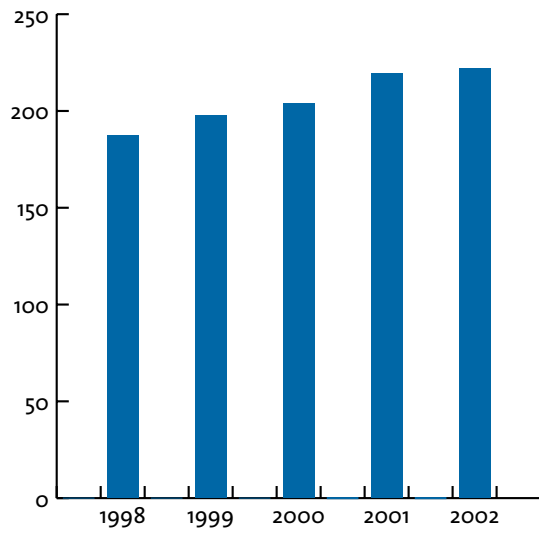
Five Year Summary

	2002	2001	2000	1999	1998
		Restated*	Restated*	Restated*	Restated*
Number of Members	273,723	273,417	272,906	270,006	242,538
	£'000	£'000	£'000	£'000	£'000
Turnover	221,911	219,475	203,930	197,770	187,228
Operating surplus	4,519	4,039	4,237	4,362	2,647
Surplus before tax	3,126	1,903	1,149	4,304	558
Retained surplus	2,122	1,183	1,083	4,308	286
Depreciation	4,320	4,187	4,171	4,130	4,280
Net finance costs	1,131	1,423	1,335	1,624	2,115
Purchase of fixed assets	7,664	7,229	5,693	3,834	3,499
Fixed assets at net book value	86,360	82,903	81,735	78,584	74,229
Net current liabilities	(2,590)	(2,130)	(5,151)	(4,008)	(4,663)
Total assets less current liabilities	83,770	80,773	76,584	74,576	69,566
Less long term liabilities	12,521	13,793	12,357	13,605	21,474
Less provision for liabilities and charges	2,620	2,314	1,846	1,132	1,706
Net assets	<u>68,629</u>	<u>64,666</u>	<u>62,381</u>	<u>59,839</u>	<u>46,386</u>
Share capital	3,665	3,613	3,544	3,470	2,982
Revenue reserves	40,649	37,344	36,208	34,952	24,940
Revaluation reserve	24,315	23,709	22,629	21,417	18,464
Net worth	<u>68,629</u>	<u>64,666</u>	<u>62,381</u>	<u>59,839</u>	<u>46,386</u>

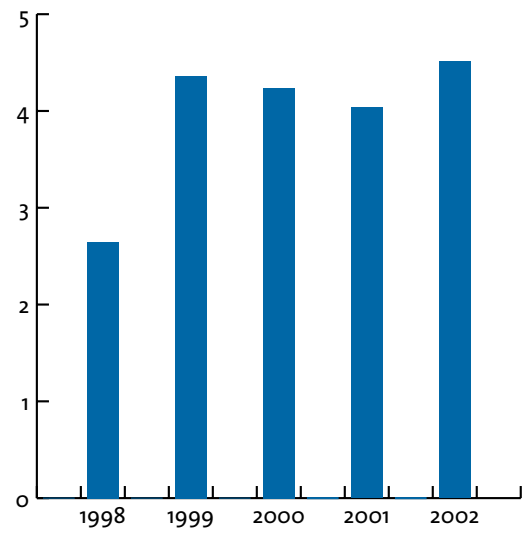
* Figures have been restated for the adoption of FRS 19 (see note 14)

Five Year Summary

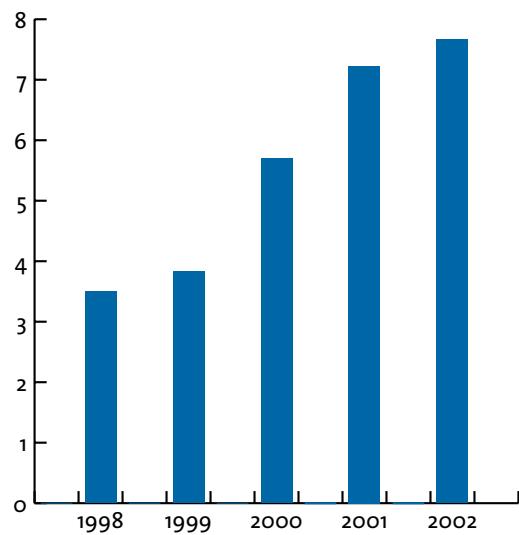
Turnover (millions)



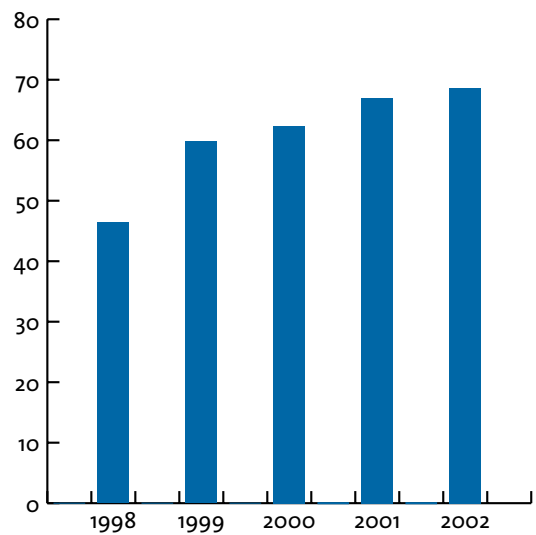
Operating surplus (millions)



Purchase of fixed assets (millions)



Net worth (millions)



Directors' Responsibilities

Industrial and Provident Society law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society at the end of the year, and of the income and expenditure of the Society for that period. In preparing those financial statements, the Directors should

- 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
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business

The Directors are responsible for keeping proper books of account with respect to the Society's transactions and its assets and liabilities as necessary to give a true and fair view of the state of affairs of the Society. They are also responsible for establishing a satisfactory system of control of the Society's books of account, its cash holdings, and all its receipts and remittances, and for taking adequate precautions for guarding against falsification of the books of account and facilitating its discovery.

Going Concern

After making all appropriate enquiries, the Directors have an expectation that the Society has adequate resources to continue in operational existence for the foreseeable future.

Corporate Governance

Internal Control

The Board is ultimately responsible for the Society's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Co-operative Union's amended (May 2000) Corporate Governance Code of Best Practice introduced a requirement, that the directors' review the effectiveness of the Society's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management and has become known as the Turnbull guidance.

The Sub Committee of the Board confirms that the Society continues to establish procedures necessary to implement the Turnbull guidance, as adopted by the Co-operative Union Corporate Governance Code of Best Practice, to ensure compliance at an early date.

Corporate Governance *continued*

Key elements in the Society's system of internal financial controls are as follows

Control environment

The Society is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. The Society has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Society objectives. Lines of responsibility and delegations of authority are documented.

Risk identification

Society management are responsible for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

Information and communication

The Society undertakes periodic strategic reviews which include consideration of long term financial projections and the evaluation of business alternatives. Annual capital and revenue budgets are approved by the Board. Trading performance is actively monitored and reported to the Board on a regular basis. All significant capital projects and Society acquisitions require Board approval.

Through these mechanisms, Society performance is continually monitored, risk identified in a timely manner, their financial implications assessed, control procedures re-evaluated and the corrective actions agreed and implemented.

Control procedures

The Society and its operating units have implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties, reviews by management and internal audit, and external audit to the extent necessary to arrive at their audit opinions.

Monitoring and corrective action

There are clear and consistent procedures in place for monitoring the system of internal controls. The Sub Committee of the Board meets several times a year and, within its remit, reviews the effectiveness of the Society's system of internal controls. The Sub Committee receives reports from the Society's internal audit function, external auditors and management where appropriate.

Auditors' Report

Independent Auditors' Report to the Members of Scottish Midland Co-operative Society Ltd

We have audited the financial statements of Scottish Midland Co-operative Society Limited for the year ended 26 January 2002 which comprise the statement of accounting policies, the group revenue account, the statement of total recognised gains and losses, the note of historical costs and losses, the group balance sheet, the group cash flow statement and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Society's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the requirements of the Friendly and Industrial and Provident Societies Act 1968 and the Industrial and Provident Societies Act 1965, and the Industrial and Provident Societies (Group Accounts) Regulations 1969. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Society has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Society is not disclosed.

We read the directors' report and other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Society as at 26 January 2002 and of its income and expenditure for the year then ended and have been properly prepared in accordance with the requirements of the Friendly and Industrial and Provident Societies Act 1968 and the Industrial and Provident Societies Act 1965, and the Industrial and Provident Societies (Group Accounts) Regulations 1969.

Deloitte & Touche
Chartered Accountants & Registered Auditors
39 George Street, Edinburgh

21 March 2002

Statement of Accounting Policies

Basis of accounting

The accounts are prepared under the historical cost accounting convention as modified by the annual revaluation of investment properties. The principal accounting policies that have been adopted are as follows

Accounting date

The accounts are prepared for the 52 weeks to 26 January 2002.

Turnover

Turnover includes cash sales, property rental income and goods sold on credit inclusive of value added tax.

Investments

Investments are stated at cost.

Investment income

Interest and dividends received are accounted for on the basis of cash received during the year.

Goodwill

Purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years with no charge for amortisation in the year of acquisition.

Tangible fixed assets and depreciation

No depreciation is provided on freehold land, investment properties and assets in the course of construction. For all other tangible fixed assets, depreciation is calculated to write down their cost or valuation to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives, which are considered to be

Buildings - 40 years. Plant, transport and fixtures - between 4 and 10 years.

Investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve.

Assets leased to the Society

Fixed assets leased under finance leases are capitalised and depreciated over their expected useful lives. The finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding. The costs of operating leases are charged to the revenue account as they accrue.

Assets leased by the Society

Rental income from property is included in the revenue account on the basis of rent invoiced.

Statement of Accounting Policies

Capitalisation of interest

Interest costs relating to the financing of major developments are capitalised up to the date of completion of the project.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Debtors

Credit account balances are included at gross value, after providing for bad debts, and exclude unearned interest.

Pensions

The expected costs of providing defined benefit pensions, as calculated periodically by professionally qualified actuaries, are charged to the revenue account over the expected service lives of participating employees.

Basis of consolidation

The group accounts consolidate the accounts of the Society and its wholly owned dormant subsidiaries, Semi-Chem Limited, Semi-Chem (Toiletries) Limited, Ian S McKay Supermarkets Limited, Thomas Brown & Sons (Funeral Directors) Limited and Thomas Brown & Sons (Monumental) Ltd which are incorporated under the Companies Act.

Deferred tax

The Society has adopted FRS 19 Deferred Taxation. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. No provision is made for taxation on capital gains deferred under the rollover provisions of the Taxation of Chargeable Gains Act 1992. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Group Revenue Account for the year ended 26 January 2002

	Notes	£'000	2002 (52 Weeks) £'000	£'000	2001 Restated* (52 Weeks) £'000
TURNOVER			221,911		219,475
Value added tax			<u>20,686</u>		<u>20,566</u>
SALES					
Continuing operations		201,225		194,606	
Discontinued operations		<u>0</u>		<u>4,303</u>	
			201,225	<u>194,606</u>	198,909
COST OF SALES					
Continuing operations		144,792		140,675	
Discontinued operations		<u>0</u>		<u>2,803</u>	
			<u>144,792</u>	<u>140,675</u>	<u>143,478</u>
GROSS PROFIT					
Continuing operations		56,433		53,931	
Discontinued operations		<u>0</u>		<u>1,500</u>	
			56,433	<u>53,931</u>	55,431
EXPENSES					
Continuing operations	1	51,914		48,720	
Discontinued operations	1	<u>0</u>		<u>2,672</u>	
			<u>51,914</u>	<u>48,720</u>	<u>51,392</u>
OPERATING SURPLUS					
Continuing operations		4,519		5,211	
Discontinued operations		<u>0</u>		<u>(1,172)</u>	
			4,519	<u>5,211</u>	4,039
EXCEPTIONAL ITEMS					
Surplus on sale of fixed assets			102		1,783
Re-organisation costs			<u>(153)</u>		<u>(2,301)</u>
SURPLUS BEFORE INTEREST			4,468		3,521
Net financing charges	4		<u>(1,131)</u>		<u>(1,423)</u>
SURPLUS FOR YEAR BEFORE DISTRIBUTION			3,337		2,098
Share interest		134		130	
Grants/Donations	5	<u>77</u>		<u>65</u>	
			<u>211</u>	<u>130</u>	<u>195</u>
SURPLUS FOR YEAR BEFORE TAXATION			3,126		1,903
Taxation	6		1,004		720
			<u>2,122</u>		<u>1,183</u>
TRANSFER TO RESERVES	16				

* The group revenue account for the year ended 27 January 2001 has been restated for the adoption of FRS 19 (see note 14).

Discontinued operations for the year ended 27 January 2001 relate to the closure of the Non Food shops.

Statement of Total Recognised Gains and Losses and Note of Historical Cost Profits and Losses for the year ended 26 January 2002

	2002 (52 Weeks) £'000	2001 Restated* (52 Weeks) £'000
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Surplus for year before tax	3,126	1,903
Taxation	<u>1,004</u>	<u>720</u>
	2,122	1,183
Unrealised gain on investment properties	1,789	1,033
Total gains and losses recognised in the year	<u>3,911</u>	<u>2,216</u>
Prior year adjustment (note 14)	(2,314)	0
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST REPORT	<u><u>1,597</u></u>	<u><u>2,216</u></u>
* The statement of total recognised gains and losses for the year ended 27 January 2001 has been restated for the adoption of FRS 19 (see note 14).		
NOTE OF HISTORICAL COST PROFITS AND LOSSES		
Surplus for year before tax	3,126	1,903
Realisation of property revaluation gains/(losses) of earlier years	1,183	(47)
HISTORICAL COST SURPLUS FOR YEAR BEFORE TAX	<u><u>4,309</u></u>	<u><u>1,856</u></u>
HISTORICAL COST SURPLUS FOR YEAR AFTER TAX	<u><u>3,305</u></u>	<u><u>1,136</u></u>

Group Balance Sheet as at 26 January 2002

	Notes	2002 £'000	2002 £'000	2001 £'000	2001 Restated* £'000
FIXED ASSETS					
Intangible assets	7		1,742		1,637
Tangible assets	8		83,081		79,604
Investments	9		1,537		1,662
			<u>86,360</u>		<u>82,903</u>
CURRENT ASSETS					
Stocks		16,873		14,029	
Debtors and prepayments	10	6,016		5,899	
Cash at bank and in hand		1,302		1,257	
		<u>24,191</u>		<u>21,185</u>	
CURRENT LIABILITIES					
Amounts falling due within one year					
Bank overdraft (secured)		1,018		659	
Creditors	11	25,763		22,656	
		<u>26,781</u>		<u>23,315</u>	
NET CURRENT LIABILITIES			<u>(2,590)</u>		<u>(2,130)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			83,770		80,773
LONG TERM LIABILITIES					
Amounts falling due after more than one year					
Creditors - loan	12	8,268		10,018	
Creditors - sundry	13	4,253		3,775	
				<u>13,793</u>	
PROVISIONS FOR LIABILITIES AND CHARGES			<u>(12,521)</u>		<u>(13,793)</u>
Deferred taxation	14		(2,620)		(2,314)
NET ASSETS			<u>68,629</u>		<u>64,666</u>
Financed by					
Share capital	15		3,665		3,613
Reserves	16		64,964		61,053
SHAREHOLDERS' FUNDS - ALL NON EQUITY	17		<u>68,629</u>		<u>64,666</u>

* The group balance sheet as at 27 January 2001 has been restated for the adoption of FRS 19 (see note 14).

On behalf of the Board of Directors

JOHN P CRONAN President

DAVID MOON Vice President

COLIN S BIRD Chief Executive Officer and Secretary

21 March 2002

Group Cash Flow Statement for the year ended 26 January 2002

	Notes	£'000	2002 £'000	£'000	2001 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22		8,480		4,885
RETURNS ON INVESTMENT AND SERVICING OF FINANCE					
Interest and dividends received		168		132	
Interest paid		(1,299)		(1,555)	
Share interest paid, grants and donations		(211)		(195)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE			(1,342)		(1,618)
TAXATION					
Corporation tax paid			(346)		(2)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Sale of fixed asset investments		125		653	
Receipts from sales of tangible fixed assets		2,164		5,139	
Payments to acquire tangible fixed assets		(5,894)		(5,886)	
			(3,605)		(94)
ACQUISITIONS AND DISPOSALS					
Purchase of goodwill		0		(126)	
Acquisitions	20	(479)		(1,568)	
			(479)		(1,694)
NET CASH INFLOW BEFORE FINANCING			2,708		1,477
FINANCING					
Bank loans advanced		0		3,000	
Repayment of bank loans		(1,633)		(1,128)	
Members share capital issued net of withdrawals		52		69	
Repayment of finance leases		(1,441)		(1,722)	
Short term loans decrease		0		(171)	
NET CASH INFLOW/(OUTFLOW) FROM FINANCING			(3,022)		48
INCREASE/(DECREASE) IN CASH	23		(314)		1,525

Notes to the Accounts for the year ended 26 January 2002

	2002 £'000	2001 £'000
1. EXPENSES		
Personnel costs	22,723	23,517
Occupancy costs (excl. depreciation)	8,678	7,693
Depreciation of owned assets	2,990	2,815
Depreciation of assets held under finance leases	1,330	1,372
Amortisation of goodwill	95	62
Trade subscriptions	54	47
Operating lease rentals - equipment and vehicles	1,107	1,030
Directors' fees	40	40
Directors' expenses and delegations	79	84
Auditors' remuneration - audit fee	36	36
Other expenses	14,782	14,696
	<u>51,914</u>	<u>51,392</u>

Expenses include exceptional costs relating to Operational Management restructuring

<u>293</u>	<u>0</u>
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	Number	Number
2. EMPLOYEES		
The average number employed was		
Full time	783	782
Part time	2,493	2,543
	<u>3,276</u>	<u>3,325</u>

The costs incurred in respect of these employees were

	£'000	£'000
Wages and salaries	21,100	21,697
Social security costs	1,290	1,389
Other pension costs	333	431
	<u>22,723</u>	<u>23,517</u>

3. EXCEPTIONAL ITEMS

Re-organisation costs relate to the closure of Non Food stores. No material tax charge or credit arises from the exceptional items.

4. NET FINANCING CHARGES

	£'000	£'000
Interest payable		
Loans	0	4
Bank overdraft and loans	1,022	1,235
Finance leases	277	311
Other interest	<u>0</u>	<u>5</u>
	1,299	1,555
Less interest receivable		
Listed investments	7	14
Unlisted investments	126	102
Other interest	<u>35</u>	<u>16</u>
	168	132
	<u>1,131</u>	<u>1,423</u>

Notes to the Accounts for the year ended 26 January 2002

	2002 £'000	2001 £'000
5. GRANTS/DONATIONS		
Education grants	32	29
Donations	45	36
	<u>77</u>	<u>65</u>
6. TAXATION		
Current taxation		
UK corporation tax charge for the year	662	250
Adjustment in respect of prior years	35	0
Income tax	1	2
	<u>698</u>	<u>252</u>
Deferred taxation		
Origination and reversal of timing differences	736	683
Adjustment in respect of prior years	(430)	(215)
	<u>1,004</u>	<u>720</u>

Adoption of FRS 19 has required a change in the method of accounting for deferred tax. As a result the comparative figure for tax for 2001 has been restated from the previously reported amount of £252,000 to £720,000. The impact of adopting FRS 19 on the 2002 results is an increase in the tax charge of £306,000.

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and previous year exceeds the standard rate for the reasons set out in the following reconciliation

	2002 £'000	2001 £'000
Profit before tax	<u>3,126</u>	<u>1,903</u>
Tax on profit at standard rate of corporation tax in the UK of 30% (2001 28.7%)	938	546
Factors affecting charge for the period		
Expenses not deductible for tax	460	388
Adjustments to tax in respect of prior years	(395)	(216)
Income tax	1	2
Tax charge for the year	<u>1,004</u>	<u>720</u>
Effect of deferred tax		
Capital allowances in excess of depreciation	287	(466)
Other timing differences	(593)	(2)
Total actual amount of current tax	<u>698</u>	<u>252</u>

No provision has been made for deferred tax on revaluing property to its market value. The tax on the gains arising from the revaluation would only become payable if the property were sold without rollover relief being available. These assets are expected to be used in the continuing operations of the business and, therefore, no tax is expected to be paid in the foreseeable future.

Additionally, no deferred tax has been provided in respect of the gains on disposal of fixed assets as such tax would only become payable if the replacement asset is sold without rollover relief being obtained. The tax which would be payable in such circumstances has not been quantified in the absence of March 1982 values.

Notes to the Accounts for the year ended 26 January 2002

7. INTANGIBLE ASSETS

	£'000
Goodwill	
Cost	
27 January 2001	1,699
Additions	200
26 January 2002	<u>1,899</u>
Amortisation	
27 January 2001	62
Provided for the year	95
26 January 2002	<u>157</u>
Balance sheet value at 26 January 2002	<u>1,742</u>
Balance sheet value at 27 January 2001	<u>1,637</u>

8. TANGIBLE FIXED ASSETS

	Land & Buildings £'000	Investment Properties £'000	Plant Transport & Fixtures £'000	Total £'000
Cost or valuation				
27 January 2001	30,090	40,931	43,551	114,572
Additions	658	2,344	4,662	7,664
Disposals	0	(1,319)	(553)	(1,872)
Aquisition	171	0	35	206
Reclassification	(450)	488	(480)	(442)
Revaluation	0	1,789	0	1,789
26 January 2002	<u>30,469</u>	<u>44,233</u>	<u>47,215</u>	<u>121,917</u>
Depreciation				
27 January 2001	7,463	0	27,505	34,968
Provided for the year	695	0	3,625	4,320
Disposals	0	0	(10)	(10)
Reclassification	(82)	0	(360)	(442)
26 January 2002	<u>8,076</u>	<u>0</u>	<u>30,760</u>	<u>38,836</u>
Balance sheet value at 26 January 2002	<u>22,393</u>	<u>44,233</u>	<u>16,455</u>	<u>83,081</u>
Balance sheet value at 27 January 2001	<u>22,627</u>	<u>40,931</u>	<u>16,046</u>	<u>79,604</u>

The net book value of the Society's fixed assets includes £5.2m (2001 - £4.7m) in respect of assets held under finance leases. Investment properties were valued as at 26 January 2002 at open market value on the basis of existing use by DM Hall Chartered Surveyors. The valuation was arrived at on the basis of an inspection and survey of a sample of the Society's total investment properties.

Notes to the Accounts for the year ended 26 January 2002

9. FIXED ASSETS - INVESTMENTS

	2002 Shares £'000	Loans £'000	2001 Shares £'000	Loans £'000
Unlisted				
CWS Ltd	1,252	0	1,252	0
Other I & P Societies	76	0	85	87
Others	8	80	8	109
	<u>1,336</u>	<u>80</u>	<u>1,345</u>	<u>196</u>
Listed				
Others	91	30	91	30
	<u>1,427</u>	<u>110</u>	<u>1,436</u>	<u>226</u>
	<u>110</u>		<u>226</u>	
	<u>1,537</u>		<u>1,662</u>	

Other loans include interest bearing loans granted in accordance with the Society's normal terms and conditions to key management amounting to £18,000. The directors have considered Financial Reporting Standard 8 Related Party Disclosures, and are satisfied that there are no other related party transactions occurring during the year which require disclosure.

The market value of the listed investments at 26 January 2002 was £228,000 (2001 - £434,000).

10. DEBTORS

	2002 £'000	2001 £'000
Due by members for credit accounts	94	90
Sundry debtors due within one year	5,739	5,541
Sundry debtors due after more than one year	183	208
Corporation tax recoverable	0	60
	<u>6,016</u>	<u>5,899</u>

11. CREDITORS FALLING DUE WITHIN ONE YEAR

Trade creditors	16,599	13,762
Holiday pay	577	736
VAT	470	369
Other sundry creditors	1,906	1,808
Accrued charges	2,487	2,597
PAYE and social security	364	381
Payments received in advance	22	30
Education fund	0	8
Bank loan (secured)	1,632	1,515
Obligations under finance leases	1,132	1,168
Corporation tax	574	282
	<u>25,763</u>	<u>22,656</u>

12. LOAN CREDITORS FALLING DUE AFTER ONE YEAR

Bank loans	<u>8,268</u>	<u>10,018</u>
Loan amounts falling due within		
One year (included in note 11 above)	1,632	1,515
Between one and two years	1,632	1,515
Between two and five years	4,897	4,547
After five years	1,739	3,956
	<u>9,900</u>	<u>11,533</u>

The above loans are secured by a Bond and Floating charge over all the assets of the Society.

Notes to the Accounts for the year ended 26 January 2002

13. SUNDRY CREDITORS FALLING DUE AFTER ONE YEAR	2002 £'000	2001 £'000
Obligation under finance leases	2,708	2,343
Funeral bonds	1,545	1,432
	<u>4,253</u>	<u>3,775</u>

All obligations under finance leases are due in less than five years (2001 - £0 was due in more than five years).

14. DEFERRED TAXATION

	£'000	
Balance at 27 January 2001 (as restated)	2,314	
Revenue account charge	306	
	<u>2,620</u>	
Balance at 26 January 2002	<u>2,620</u>	
The provision for deferred tax consists of the following amounts		
	2002 £'000	2001 £'000
Capital allowances in excess of depreciation	2,711	2,999
Other timing differences	(91)	(685)
	<u>2,620</u>	<u>2,314</u>

The adoption of FRS 19 Deferred Taxation has required changes in the method of accounting for deferred tax assets and liabilities. As a result of these changes in accounting policy the comparatives have been restated as follows

	Deferred Taxation £'000	Revenue Reserve £'000	Shareholders' Funds £'000
2001 as previously reported	0	39,658	66,980
Adoption of FRS 19 at 29 January 2000	1,846	(1,846)	(1,846)
During year ended 27 January 2001	468	(468)	(468)
2001 restated	<u>2,314</u>	<u>37,344</u>	<u>64,666</u>

See note 6 for information on deferred tax assets and liabilities for which no provision has been made.

15. SHARE CAPITAL

	2002 £'000	2001 £'000
At beginning of year	3,613	3,544
Interest	130	128
Contributions	101	241
	<u>3,844</u>	<u>3,913</u>
Withdrawals	179	300
At end of year	<u>3,665</u>	<u>3,613</u>

(i) Share capital is composed entirely of non equity shares.

(ii) Share capital comprises 3,665,000 shares of £1 attracting interest at 4%.

(iii) Shares are withdrawable on periods of notice in accordance with Rule 21.

(iv) Each member is entitled to one vote.

Notes to the Accounts for the year ended 26 January 2002

16. MOVEMENT ON RESERVES

	Revenue Reserve* £'000	Revaluation Reserve £'000	Total £'000
Balance at 27 January 2001	37,344	23,709	61,053
Surplus for year	2,122	0	2,122
Transfer of realised revaluation arising on disposal of properties	1,183	(1,183)	0
Surplus on revaluation of properties	0	1,789	1,789
Balance at 26 January 2002	<u>40,649</u>	<u>24,315</u>	<u>64,964</u>

*Balance of revenue reserve as of 27 January 2001 has been restated for the adoption of FRS 19. See note 14 for details.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 Restated* £'000
Surplus after taxation	2,122	1,183
Other recognised gains and losses relating to year	1,789	1,033
Contributions and interest less withdrawals during year	<u>52</u>	<u>69</u>
Opening shareholders' funds	3,963 64,666	2,285 62,381
Closing shareholders' funds - all non equity	<u>68,629</u>	<u>64,666</u>

* The opening shareholders' funds at 27 January 2001 as previously reported amounted to £66,980,000 before the prior year adjustment of £2,314,000 (see note 14).

18. FINANCIAL COMMITMENTS

	2002 £'000	2001 £'000
Future capital expenditure Contracted for but not provided for	<u>1,250</u>	<u>900</u>

19. ACQUISITIONS AND TRANSFERS

On 11 January 2002 the Society acquired a convenience store business. The acquisition has been accounted for using the acquisition method of accounting for a consideration of £480,000. The amount of goodwill arising as a result of acquisition is shown below

	2002 Fair value of assets acquired £'000
Tangible fixed assets	206
Stock	73
Cash in hand	1
Goodwill	200
	<u>480</u>
Satisfied by	
Cash	450
Acquisition costs	30
	<u>480</u>

The fair values above represent the Society's valuation of assets acquired. Book values were not provided by the vendor.

Notes to the Accounts for the year ended 26 January 2002

20. ANALYSIS OF NET OUTFLOW OF CASH IN RESPECT OF ACQUISITIONS

	2002 £'000
Acquisition consideration	(480)
Net cash acquired	1
Net outflow of cash in respect of acquisitions	<u>(479)</u>

21. EMPLOYEES' SUPERANNUATION FUND

The Schemes are defined benefit (final salary) funded pension schemes.

The most recent full actuarial valuation of the Scottish Midland Co-operative Society Limited Employees' Superannuation Fund (the "Scotmid Scheme") was carried out as at 27 January 2001. The most recent full actuarial valuation of the North Tayside, Kilwinning and Strathaven Co-operative Society Limited Superannuation Fund (the "North Tayside Scheme") was carried out as at 16 January 2000. The additional disclosures below have been estimated based on these valuations using approximate actuarial techniques and the available information.

At the date of review, the market value of the funds' assets was £33,751,000 and the actuarial value of the assets represented 105% of actuarial value of all benefits accrued to members at that date, after allowing for future wages increases. The Directors and Trustees of the Fund are satisfied with this actuarial projection.

The employer contributions made in respect of the accounting period amounted to £302,000 for the Scotmid Scheme and £31,000 for the North Tayside Scheme. The current agreement as regards the contribution rates for future years is described in the Schedule of Contributions dated 13 August 2001.

Both schemes have been closed to further accrual of benefit since 26 January 2002. A new scheme, the Scottish Midland Co-operative Society Pension Plan, commenced on that date. It is intended that all of the assets and liabilities of both the Scotmid Scheme and the North Tayside Scheme will be transferred to the new Scheme shortly.

In accordance with the transitional requirements of FRS 17 Retirement Benefits, a number of additional disclosures relating to pensions are given below.

Actuarial Assumptions Scotmid and North Tayside Schemes

	At 26 January 2002 (per annum)
Rate of increases in salaries	4.0%
Rate of increase in pensions	
Pre 05/04/97 service	0.0%
Post 05/04/97 service	2.5%
Rate of revaluation of deferred pensions	2.5%
Discount rate	5.75%
Inflation assumption	2.6%

Fair Value of Assets and Expected Rate of Return Scotmid and North Tayside Schemes

	Long Term Rate of Return expected at 26 January 2002	Value at 26 January 2002 £'000
Equities	7.0%	18,547
Bonds	5.5%	13,829
Total market value of assets		<u>32,376</u>

Notes to the Accounts for the year ended 26 January 2002

21. EMPLOYEES' SUPERANNUATION FUND - CONTINUED

Net Pension Liability

The information below illustrates the net position of the schemes and the impact on the accounts had FRS 17 been implemented in full as at 26 January 2002.

Scotmid and North Tayside Schemes

	Value at 26 January 2002 £'000
Total market value of assets	32,376
Present value of Scheme liabilities	(36,619)
Liability in the Scheme	<u>(4,243)</u>
Related deferred tax asset	1,273
Net pension liability	<u>(2,970)</u>
Reserves at 26 January 2002	64,964
Reserves after offsetting net pension liability	<u><u>61,994</u></u>

22. CASH FLOW STATEMENT: RECONCILIATION OF SUPPLUS ON ORDINARY ACTIVITIES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £'000	2001 £'000
Operating surplus	4,519	4,039
Exceptional items	<u>(51)</u>	<u>(518)</u>
Surplus before interest	4,468	3,521
Depreciation charges	4,320	4,187
Amortisation of goodwill	95	62
Gain on sale of tangible fixed assets	(102)	(1,797)
(Increase)/decrease in stocks	(2,771)	738
(Increase)/decrease in debtors	(176)	200
Increase/(decrease) in creditors	2,646	(2,026)
Net cash inflow from operating activities	<u><u>8,480</u></u>	<u><u>4,885</u></u>

23. CASH FLOW STATEMENT: RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Decrease in cash for year	(314)
Cash outflow from decrease in debt and lease financing	<u>3,074</u>
Change in net debt resulting from cash flows	2,760
New finance leases	<u>(1,770)</u>
Movement in net debt for the year	990
Net debt as at 27 January 2001	<u>(14,446)</u>
Net debt as at 26 January 2002	<u><u>(13,456)</u></u>

Notes to the Accounts for the year ended 26 January 2002

24. CASH FLOW: ANALYSIS OF NET DEBT

	At 27 January 2001 £'000	Cash Flow £'000	Other non-cash changes £'000	At 26 January 2002 £'000
Cash at bank and in hand	1,257	45		1,302
Bank overdraft	(659)	(359)		(1,018)
		(314)		
Debt due after 1 year	(10,018)	0	1,750	(8,268)
Debt due within 1 year	(1,515)	1,633	(1,750)	(1,632)
Finance leases	(3,511)	1,441	(1,770)	(3,840)
		3,074		
Total	<u>(14,446)</u>	<u>2,760</u>	<u>(1,770)</u>	<u>(13,456)</u>

25. CASH FLOW STATEMENT: MAJOR NON-CASH TRANSACTIONS

During the year the Society entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £1.8m (2001 - £1.3m).

26. SEGMENTAL REPORTING

Class of Business	Sales		Operating Surplus		Net Assets	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Retail	197,830	195,646	2,981	2,551	24,396	23,735
Property rental	3,395	3,263	1,538	1,488	44,233	40,931
	<u>201,225</u>	<u>198,909</u>	<u>4,519</u>	<u>4,039</u>	<u>68,629</u>	<u>64,666</u>

27. OPERATING LEASE COMMITMENTS

At 26 January 2002 the commitment to make payments during the next year in respect of operating leases was as follows

Leases which expire	Land & Buildings	Plant, Transport & Fixtures	Land & Buildings	Plant, Transport & Fixtures
	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Within two to five years	446	1,163	227	1,124
After five years	2,521	0	2,772	0
	<u>2,967</u>	<u>1,163</u>	<u>2,999</u>	<u>1,124</u>

Notice of Meeting and Agenda of Business

Notice is hereby given than an Annual General Meeting of the Society will be held on Monday, 6 May 2002 at 7 pm at the following places: The Gorgie Suite, Tynecastle Park, Gorgie Road, Edinburgh; Regal Community Theatre, 24/34 North Bridge Street, Bathgate and also on Tuesday, 7 May 2002 at the Rainbow Theatre, Montrose at 7 pm.

AGENDA OF BUSINESS

1. Synopsis of Minutes of Ordinary General Meeting held on 5/6 November 2001.
2. Obituary References.
3. Directors' Report/Annual Accounts.
4. Appointment of Tellers.
5. Elections for Area Committees
East Area 6 Members to serve for 3 years
West Area 5 Members to serve for 3 years
North Area 1 Member to serve for 1 year
6. Nominations for Education Committees
West Area Education Committee - 2 Members to serve for 3 years
7. Nomination and Election of Members' Delegates to Co-operative Group Half Yearly Meeting, October 2002.
East Area - 1 Delegate
West Area - 1 Delegate
North Area - 1 Delegate
8. Synopses of Minutes of Board Meetings.
9. Consideration of remuneration of Office Bearers and Directors
Present Remuneration
Central Board President - £1,840 per annum; Vice President - £1,520 per annum;
Minute Secretary - £980 per annum; Directors £700 per annum.
Area Committees Chairman - £1,080 per annum; Vice Chairman - £950 per annum;
Treasurer - £830 per annum; Minute Secretary - £780 per annum;
Committee Members - £650 per annum.
Education Committees President - £560 per annum; Secretary £630 per annum;
Committee Members - £470 per annum.
Tellers - £5.00.
10. Consideration of scale of fees for Directors' Delegations
Present Scale
Overnight - £60; Full day - £17; Half Day - £11; Evening Fee - £9
11. Consideration of Remuneration for Auditors.
12. General Business.

ADMISSION TO GENERAL MEETING

Members will be admitted to the General Meeting by presenting their Share Books showing the minimum qualification of £1.00 shareholding deposited prior to 26 January 2002.

The next General Meeting (Ordinary General Meeting) will be held on Monday, 4 November 2002 at Edinburgh and Bathgate and on Tuesday, 5 November 2002 at Montrose.

Synopsis of Previous Meeting

Of Ordinary General Meeting of Members of Scottish Midland Co-operative Society Limited held on the Gorgie Suite, Tynecastle Park, Gorgie Road, Edinburgh and Motherwell Football Club, Fir Park, Motherwell on Monday, 5 November 2001 at 7 pm and at the Rainbow Theatre, Montrose on Tuesday, 6 November 2001 at 7 pm.

Mr John P Cronan, President of the Society, presiding at Edinburgh.

Mr David Moon Snr, Chairman of the West Area Committee, presiding at Wishaw.

Mr John Anderson, Chairman of the North Area Committee, presiding at Montrose.

1. Synopsis of Minutes of Annual General Meetings held on 7 and 8 May 2001 was submitted and adopted.
2. Sympathetic reference was made to the passing of Superannuated Employees.
3. The Directors' Interim Report and Accounts was read and accepted.
4. The following Tellers were appointed:
(East Area) Mrs Swift, Mrs Nisbet and Mrs Duffy.
(West Area) Mr Smith and Mr Gilchrist.
(North Area) Mr Wood and Mr Hutcheon.
5. Nominations of Members of Area Committees
East Area 6 Members to serve for 3 years; 1 Member to serve for 2 years
Miss A Williamson, 21 Britwell Crescent, Edinburgh; Mr D Jamieson, 8 Ryehill Place, Edinburgh;
Mr H Cairney, 3 Gardiner Road, Prestonpans; Mr J Lynch, 42 Corstorphine Hill Crescent, Edinburgh;
Mr J Miller*, 30 Loanburn Avenue, Penicuik; Mrs J Reid, 6 Avenue Road, Cockenzie; Mr S Kerr, 89 Northfield Drive, Edinburgh; *Mr Miller was not eligible for nomination under Rule 54 (c).
West Area 6 Members to serve for 3 years; 4 Members to serve for 1 year
Mr John Reid intimated he was not seeking re-election; Mr P Kane, 23 Moreland Gardens, Addiewell;
Mr J Gilchrist, 1 Branchalfield Drive, Wishaw; Mrs M Hume, 7 Honeyman Court, Armadale; Mr I Bailey,
4 McLardy Court, Uphall; Mr P Devenney, 25 Nettlehill Drive, Uphall Station.
North Area 1 Member to serve for 1 year
Mr G Hutcheon, 32 Latch Road, Brechin
6. Nominations for Education Committees
East Area - 2 Members to serve for 3 years
No nominations were received.
West Area - 2 Members to serve for 3 years
Mrs A Milne, 91 Thomson Grove, Uphall; Mrs H Smith, 52 Cairneymount Road, Carluke.
7. Nomination and Election of Members' Delegates to Co-operative Party Annual Conference 2002
East Area - Mr J MacKenzie, 57 Dalmeny Street, Edinburgh
West Area - Mr P Smith, 52 Cairneymount Road, Carluke
North Area - Mr F Wood, 25 Newmans Walls Avenue, Montrose.
8. The following reports were submitted and approved
Education Committees; Society Co-operative Party Council; Members' Delegate to Co-operative Party Annual Conference, Edinburgh, 15/16 September 2001.
9. Under General Business questions were raised and satisfactorily answered.

After the meeting a Special Meeting of Members was held to consider adopting an amendment to the Society's Rules to incorporate an All Employee Share Ownership Plan. Members voted and agreed.

Synopses of Board Meetings

At each meeting the Board dealt with Minutes and correspondence.

Appointments of delegates to attend Co-operative activities on behalf of the Society are detailed below.

In addition, the Chief Executive Officer reported in detail on the Society trading performances, operating costs and property matters. Regular reports on the Society cash flow position were given by the Depute Chief Executive and Head of Finance. These reports were dealt with by the Board as appropriate.

The main items of business other than the above were as follows:-

1. Presentation of Society Annual Report and Financial Accounts.
2. Business Plan.
3. Development Items:
 - Property refurbishment
 - Sale of Property
 - Closures
4. Agreed to nominate Mr Bird for Branding Committee and Mr Smallman for Social and Co-operative Performance Committee.
5. Board agreed to accept Capital Proposals for properties at Forth, Ferry Road, Newmains and Laurencekirk.
6. Board approved unanimously to seek a JV partner regarding planning permission for Fountainbridge Development.
7. Received and noted letter of thanks from the Co-operative Union Limited for the Society's donation towards the United States Appeal.
8. Board approved unanimously the establishment of an All Employee Share Scheme.
9. Delegates reports on attendance at:
 - Store Visits
 - ICD Courses
 - Co-operative Party Annual Summer School, St Andrews, 4/11 August 2001.
 - Co-operative Party Annual Conference, Edinburgh, 14/16 September 2001
 - Scottish Sectional Board Meeting, 16 June 2001, Lanark
 - One Day Special Congress, 24 November 2001, Manchester
 - Scottish Co-operative and Mutual Forum, Glasgow, 8 December 2001