

# annual report & accounts

for year ended 25 January 2003

## Contents

Directors, Officers and Advisors **2** Directors' report **3-5**  
Five year summary **6-7** Directors' responsibilities **8**  
Corporate governance **8-9** Corporate social responsibility  
policy **10** Independent auditors' report **11** Statement of  
accounting policies **12-13** Revenue account **14** Statement  
of total recognised gains and losses **15** Note of historical  
cost profits and losses **15** Balance sheet **16** Cash flow  
statement **17** Notes to the accounts **18-28** Notice of  
meeting **29** Synopsis of previous meeting **30** Synopses of  
board meetings **31** Standing orders for ordinary and special  
meetings **32**

# Directors, Officers and Advisors

**President** Mr John P Cronan (7)  
**Vice President** Mr James Duffy (7)  
**Minute Secretary** Mr John Anderson (6)

## DIRECTORS

Mr I Bailey (elected August 2002) (5), Mr R Brown (7), Mr H Cairney (6), Mrs J Cronan (6), Mr J Gilchrist (7), Mr J Hill (6), Mrs M Hume (7), Mr D Jamieson (elected May 2002) (7), Mrs C Kerr (6), Mr J Middleton (elected May 2002) (6), Mr D Moon Jnr (6), Mr D Paterson (elected May 2002) (7), Mr H Smallman (7), Mr J Watson (7), Miss A Williamson (7)  
7 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  
**Solicitors** Anderson Strathern WS  
**Bankers** Royal Bank of Scotland plc  
**Registered Office** 92 Fountainbridge, Edinburgh, EH3 9QE

## AREA COMMITTEES

### EAST

Mr J P Cronan (Chair) (5), Miss A Williamson (Vice Chair) (5), \*Mr J Duffy (Minute Secretary) (5), \*Mr H Smallman (Treasurer) (5), Mr R Brown (4), Mr H Cairney (5), #Mrs J Cronan (5), Mr J Hill (5), Mr D Jamieson (4), Mrs C Kerr (4), Mr S Kerr (5), Mr J Lynch (4), \*Mr F Murphy (4), Mr G O'Brien (deceased December 2002) (2), Mr D Paterson (5), Mrs J Reid (5), \*Mrs G Smallman (4)  
5 meetings held.

### WEST

\*Mr D Moon Jnr (Chair) (5), Mr J Watson (Vice Chair) (5), Mr T McKnight (Minute Secretary) (4), Mr J Gilchrist (Treasurer) (5), Mr I Bailey (4), Mr M Clark (5), Mr P Devenney (3), \*Mr A Dewson (5), Mrs M Hume (4), Mr R Kelt (4), Mr David McGrouther (4), Mr J Middleton (4)  
5 meetings held

### NORTH

\*Mr J Anderson (Chair) (5), #Mrs E Morton (Vice Chair) (5), \*Mrs M Smith (Treasurer and Minute Secretary) (5), Mrs A Anderson (5), ~Mr D Todd (-), \*Mr G Hutcheon (5)  
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

An impressive performance is reported for the year ended January 2003 with Food and Property leading the way. The balance sheet has never been stronger with net assets at £81m, following a £6.7m transfer to reserves and a considerable £5.3m rise in the investment property valuation. This represents an increase in net worth of 18% year on year. A healthy increase of 12.3% has provided a record operating surplus of £5.1m.

## Retail

The market conditions continue to be difficult and the results demonstrate that Scotmid is responding well to the challenge. Significant investment has taken place during the year in technology and new instore concepts in order to keep abreast of the market place.

## Food

The Food Department sales are ahead of last year despite the disposal of the Penicuik store in April 2002. Christmas sales were robust, supported by a confident promotional campaign including an aggressive beers, wines and spirits package.

The disposal of Penicuik was a tactical decision given its vulnerability to incoming competition in the area. The ongoing investment this sale will facilitate, is seen as a greater benefit to the business in the long term.

Twelve refits took place during the year, ranging from relatively minor cosmetic alteration through to expansion of existing stores. The new format trialled in the Leven Street branch has been successful, helping to maintain sales despite the opening of a multiple nearby. The format relies on an expanded and enhanced fresh offer and the success of this location helps to form an outline concept that can be utilised throughout Scotmid Food.

In line with strategy the Prestonpans High Street shop was relocated into an adjacent unit providing an open, bright environment for our customers with a larger range of services including an instore post office. Two new stores were opened at Kingsknowe Road and Nicolson Street in Edinburgh. The latter heralding the return of Scotmid to Edinburgh's south side.

## Semi Chem

Significant sales increases were achieved this year in Semi Chem. After a promising start, poor summer weather led to a dip in sales, but the excellent Christmas trade, aided by an effective fragrance offer, helped bring the business to an overall sales position well ahead of last year.

A review of Semi Chem strategy, completed during the year, gave the business renewed focus and confidence. Six new concept stores are being developed and the initial signs are promising but the work is ongoing. Once all issues are ironed out this will provide various formats to suit Semi Chem's proposed expansion.

## Technology

The Society continues its programme of significant investment in technology. The improved performance this year is undoubtedly attributable in part to this investment. Improved availability and lower stock levels are often the most obvious business gains but they are not the only apparent benefits. The enhanced information from the new systems, enables those involved in buying activities to make robust and informed decisions. The system removes many of the fluctuations that occur in manual ordering which makes business planning more efficient.

All Semi Chem stores now operate electronic point of sale equipment and over half have received the new sales based ordering system. The rollout of the sales based ordering system to tobacco and beers, wines and spirits categories in Food stores was nearing completion at the year end. Many Food stores have now also incorporated all ambient and frozen categories into this system. Steps are being taken to tackle some of the fresh categories next year.

# Directors' Report

The systems are now being streamlined to ensure they match the needs of the business and deliver to expectation and beyond. This involves close co-operation from many in the business including IT, specialist teams within Retail, Buyers, Human Resources, Finance, Regional Managers and last but not least the Branch Managers. Input from all sources is helping to deliver very effective systems.

## Funeral

Scotmid Funeral Department has had a difficult year following adverse publicity in the early part of the trading period. Prompt action has been taken and a new Head of Funeral Services has been appointed who will join the business early in the new year. Despite the difficulties, a healthy contribution still arose and the staff remain focused on providing a professional and compassionate service to their customers. The department obtained the award of Investors in People during the year.

## Property

Investment property values have reached £49m, an excellent increase on the prior year and record levels of rental income have also been achieved. These increases are a credit to the efforts of the Property and Development Services Department in actively managing the portfolio. Market movement, particularly in Edinburgh, has also been a key factor.

Following the success of the Pilrig development, the conversion of the former Works Department at Patriothall, Edinburgh, into 20 luxury flats has commenced and is due for completion in 2003.

Developments completed during the year include George Place, Bathgate; West Mains Street, Whitburn; High Street, Blairgowrie and Nicolson Street, Edinburgh. All of these properties have been split into trading units for the Society with separate retail letting units and offices in some cases. The majority of these units have now been let.

Three major developments are being undertaken as joint ventures, the first of these is underway with Miller Homes at Great Junction Street, Edinburgh. The demolition of the former retail and office building has taken place and construction of luxury flats will commence in the new year. The second of the Miller joint ventures at South Queensferry, and the Fountainbridge development with Bett Properties Ltd are currently going through the planning process.

## Human Resources

The Society continues to recognise that its people are its most important asset and invests heavily each year in its staff. Training carried out included customer service, recruitment, training for trainer courses, sales based ordering and health and safety.

Staff retention has been identified as an area where improvement can be made and various trials are currently in place to look at how to reduce turnover.

The Society continues to look at the benefit package it offers to employees and this year saw the launch of the employee share ownership scheme which allows employees to take part in tax free savings. The previous service award voucher scheme has been changed to the provision of free shares which are accumulated in the individual share accounts. Another major benefit offered this year for the first time was the double discount week for staff before Christmas. This proved very popular.

# Directors' Report

## Community Activity

The charity of the year initiative has raised an impressive total of £100,000 for Chest Heart and Stroke, Scotland. This was raised through various store based activities with many members of staff and the public taking part. This charity is being replaced with the Daily Record sponsored "Save our Kids" campaign. Macmillan Cancer Relief is in place for Northern Ireland.

The Society continues to promote its Breakfast Club activity in schools and the Blender Scheme for new mothers has been expanded. Semi Chem have revived their road safety campaign during the year providing safety vests for primary school pupils. The significant sum of £13,000 in CIS Community Grants has been secured for groups in the Scotmid trading area.

Scotmid has developed a policy in line with others in the Co-op movement for Corporate Social Responsibility.

## Donations

A donation of £9,279 to the Co-operative Party and £14,300 to the Society Co-operative Party Council were made during the year.

## Appreciation

The Directors would like to thank our members, customers and staff for continuing to contribute to the ongoing success of Scottish Midland Co-operative Society Limited.

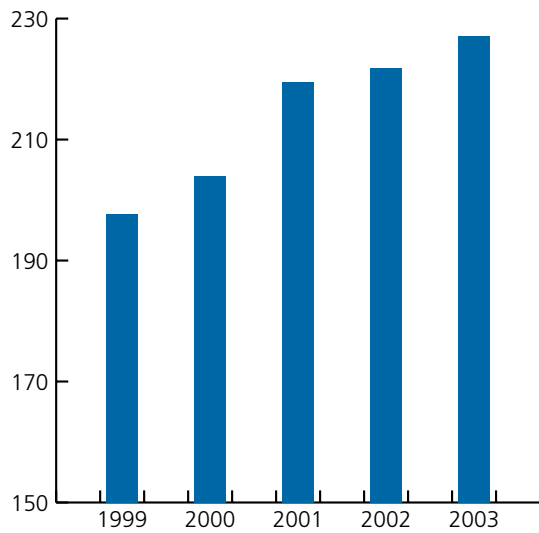
# Five Year Summary

	2003	2002	2001	2000	1999
number of members	<b>234,612*</b>	273,723	273,417	272,906	270,006
	<b>£000</b>	£000	£000	£000	£000
turnover	<b>227,166</b>	221,911	219,475	203,930	197,770
operating surplus	<b>5,074</b>	4,519	4,039	4,237	4,362
surplus before tax	<b>9,098</b>	3,126	1,903	1,149	4,304
retained surplus	<b>6,697</b>	2,122	1,183	1,083	4,308
depreciation	<b>4,522</b>	4,320	4,187	4,171	4,130
net finance costs	<b>881</b>	1,131	1,423	1,335	1,624
purchase of fixed assets	<b>11,376</b>	7,664	7,229	5,693	3,834
fixed assets	<b>94,338</b>	86,360	82,903	81,735	78,584
net current assets/(liabilities)	<b>1,669</b>	<u>(2,590)</u>	<u>(2,130)</u>	<u>(5,151)</u>	<u>(4,008)</u>
total assets less current liabilities	<b>96,007</b>	83,770	80,773	76,584	74,576
less long term liabilities	<b>11,755</b>	12,521	13,793	12,357	13,605
less provision for liabilities and charges	<b>3,394</b>	<u>2,620</u>	<u>2,314</u>	<u>1,846</u>	<u>1,132</u>
net assets	<b>80,858</b>	<u>68,629</u>	<u>64,666</u>	<u>62,381</u>	<u>59,839</u>
share capital	<b>3,878</b>	3,665	3,613	3,544	3,470
revenue reserves	<b>48,128</b>	40,649	37,344	36,208	34,952
revaluation reserve	<b>28,852</b>	<u>24,315</u>	<u>23,709</u>	<u>22,629</u>	<u>21,417</u>
net worth	<b>80,858</b>	<u>68,629</u>	<u>64,666</u>	<u>62,381</u>	<u>59,839</u>

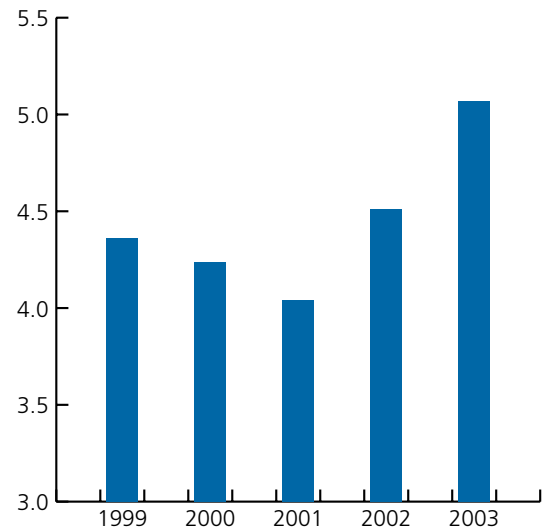
\*During the year the share file was reviewed and 40,000 accounts below the £1.00 minimum holding were assessed as dormant.

# Five Year Summary

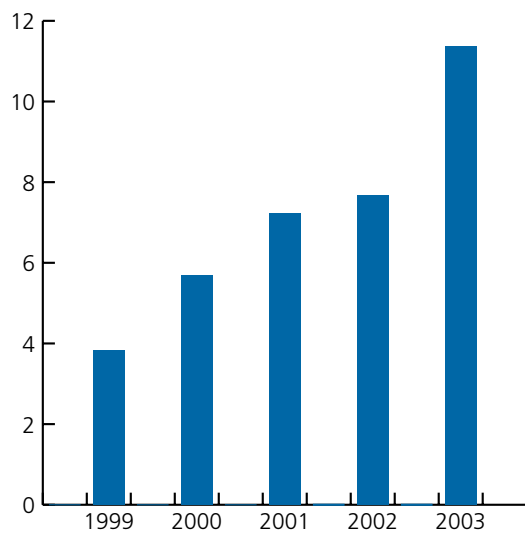
Turnover (millions)



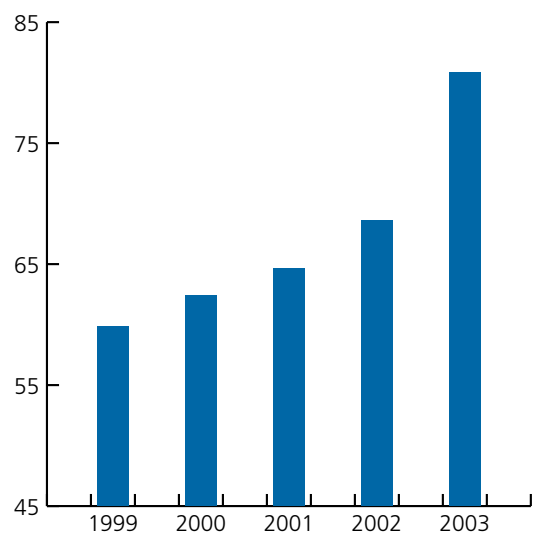
Operating surplus (millions)



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 has established procedures necessary to implement the Turnbull guidance, as adopted by the Co-operative Union Corporate Governance Code of Best Practice. The Society is now fully compliant with this guidance.

## 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 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.

# Corporate Social Responsibility Policy

Scotmid is Scotland's largest independent retail co-operative society. Our aim is to provide members and customers with the best in quality, service and value by conducting our business with the highest degree of efficiency and integrity. As a co-operative our culture is inclusive, however, we recognise that this alone is not enough and that we should take a systematic and pro-active approach to social, community and environmental issues.

This policy statement sets out our broad objectives in relation to these issues throughout Scotmid's retail, property and funeral services divisions. These objectives are as follows

- Scotmid will support its employees and their work in meeting and exceeding the demands of its customers and other stakeholders
- Scotmid will ensure that all staff are treated with the utmost respect and fairness. They will be provided with the maximum number of opportunities for training and advancement
- Scotmid will continue to listen to the needs of its customers and respond with service and products that are of the highest quality
- Scotmid will treat its suppliers fairly and will work with them to ensure that their products and services meet the highest possible social and environmental standards
- Scotmid will continue to expand its community programmes, building on the wide range of experience throughout the business
- Scotmid will comply with all relevant environmental legislation and initiate a programme of environmental improvement in relation to resource use, emissions and waste
- Scotmid will develop an action programme designed to meet the above objectives and will review its progress on an annual basis

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

We have audited the financial statements of Scottish Midland Co-operative Society Limited for the year ended 25 January 2003 which comprise the statement of accounting policies, the revenue account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet, the cash flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely for the Society's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 auditors' 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 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. 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 25 January 2003 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.

Deloitte & Touche  
Chartered Accountants & Registered Auditors, Edinburgh  
20 March 2003

# 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 25 January 2003.

## Turnover

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

## Investments

Investments are stated at cost less any provision for impairment.

## 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.

## Consolidated financial statements

Consolidated financial statements have not been prepared as the subsidiary undertakings, consisting of Semi Chem Limited, Semi Chem (Toiletries) Limited, Ian S McKay Supermarkets Limited, Thomas Brown & Sons (Funeral Directors) Limited, Thomas Brown & Sons (Monumental) Limited were dormant throughout the current and prior years and their assets and liabilities together with those of Scotmid Property & Services Limited are immaterial. Consequently there would be no material difference between the Society financial statements and the consolidated financial statements.

## Deferred tax

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.

## Revenue Account for the year ended 25 January 2003

	notes	£000	2003 (52 Weeks) £000	£000	2002 (52 Weeks) £000
<b>turnover</b>			227,166		221,911
value added tax			<u>(21,536)</u>		<u>(20,686)</u>
<b>sales</b>			205,630		201,225
<b>cost of sales</b>			<u>(146,817)</u>		<u>(144,792)</u>
<b>gross profit</b>			58,813		56,433
<b>expenses</b>	1		<u>(53,739)</u>		<u>(51,914)</u>
<b>operating surplus</b>			5,074		4,519
<b>exceptional items</b>					
surplus on sale of fixed assets			5,213		102
re-organisation costs			<u>0</u>		<u>(153)</u>
<b>surplus before interest</b>			10,287		4,468
net financing charges	3		<u>(881)</u>		<u>(1,131)</u>
<b>surplus for year before distributions</b>			9,406		3,337
share interest		(137)		(134)	
grants/donations	4	<u>(171)</u>		<u>(77)</u>	
			<u>(308)</u>		<u>(211)</u>
<b>surplus for year before taxation</b>			9,098		3,126
taxation	5		<u>(2,401)</u>		<u>(1,004)</u>
<b>transfer to reserves</b>	15		<u>6,697</u>		<u>2,122</u>

## Statement of Total Recognised Gains and Losses and Note of Historical Cost Profits and Losses for the year ended 25 January 2003

	2003 (52 Weeks) £000	2002 (52 Weeks) £000
<b>statement of total recognised gains and losses</b>		
surplus for year	6,697	2,122
unrealised gain on investment properties	<u>5,319</u>	<u>1,789</u>
total gains and losses recognised in the year	12,016	3,911
prior year adjustment	0	(2,314)
<b>total gains and losses recognised since last report</b>	<u>12,016</u>	<u>1,597</u>
<b>note of historical cost profits and losses</b>		
surplus for year before taxation	9,098	3,126
realisation of property revaluation gains of earlier years	<u>782</u>	<u>1,183</u>
<b>historical cost surplus for year before taxation</b>	<u>9,880</u>	<u>4,309</u>
<b>historical cost surplus for year after taxation</b>	<u>7,479</u>	<u>3,305</u>

## Balance Sheet as at 25 January 2003

	notes	£000	2003 £000	£000	2002 £000
<b>fixed assets</b>					
intangible assets	6		1,680		1,742
tangible assets	7		91,139		83,081
investments	8		1,519		1,537
			<u>94,338</u>		<u>86,360</u>
<b>current assets</b>					
stocks		16,781		16,873	
debtors and prepayments	9	7,219		6,016	
cash at bank and in hand		6,396		1,302	
		<u>30,396</u>		<u>24,191</u>	
<b>current liabilities</b>					
amounts falling due within one year					
bank overdraft (secured)		(786)		(1,018)	
creditors	10	(27,941)		(25,763)	
		<u>(28,727)</u>		<u>(26,781)</u>	
<b>net current assets/(liabilities)</b>			<u>1,669</u>		<u>(2,590)</u>
<b>total assets less current liabilities</b>			96,007		83,770
<b>long term liabilities</b>					
amounts falling due after more than one year					
creditors - loan	11	(6,636)		(8,268)	
creditors - sundry	12	(5,119)		(4,253)	
			<u>(11,755)</u>		<u>(12,521)</u>
<b>provisions for liabilities and charges</b>					
deferred taxation	13		(3,394)		(2,620)
<b>net assets</b>			<u>80,858</u>		<u>68,629</u>
financed by					
share capital	14		3,878		3,665
reserves	15		76,980		64,964
<b>shareholders' funds - all non equity</b>	16		<u>80,858</u>		<u>68,629</u>

On behalf of the Board of Directors

**JOHN P CRONAN** President

**JAMES DUFFY** Vice President

**COLIN S BIRD** Chief Executive Officer and Secretary

20 March 2003

# Cash Flow Statement for the year ended 25 January 2003

	notes	£000	2003 £000	£000	2002 £000
<b>net cash inflow from operating activities</b>	19		9,191		8,480
<b>returns on investment and servicing of finance</b>					
interest and dividends received		175		168	
interest paid		(1,056)		(1,299)	
share interest paid, grants and donations		(308)		(211)	
<b>net cash outflow from returns on investment and servicing of finance</b>			(1,189)		(1,342)
<b>taxation</b>					
corporation tax paid			(644)		(346)
<b>capital expenditure and financial investment</b>					
sale of fixed asset investments		18		125	
receipts from sales of tangible fixed assets		9,328		2,164	
payments to acquire tangible fixed assets		(8,437)		(5,894)	
			909		(3,605)
<b>acquisitions and disposals</b>					
purchase of goodwill		(45)		0	
acquisitions/transfers		0		(479)	
			(45)		(479)
<b>net cash inflow before financing</b>			8,222		2,708
<b>financing</b>					
repayment of bank loans		(1,632)		(1,633)	
members share capital issued net of withdrawals		213		52	
repayment of finance leases		(1,477)		(1,441)	
<b>net cash outflow from financing</b>			(2,896)		(3,022)
<b>increase/(decrease) in cash</b>	20		<u>5,326</u>		<u>(314)</u>

# Notes to the Accounts for the year ended 25 January 2003

	2003 £000	2002 £000
<b>1. expenses</b>		
personnel costs	23,246	22,723
occupancy costs (excl. depreciation)	8,850	8,678
depreciation of owned assets	3,002	2,990
depreciation of assets held under finance leases	1,520	1,330
amortisation of goodwill	107	95
trade subscriptions	51	54
operating lease rentals - equipment and vehicles	1,110	1,107
directors' fees	44	40
directors' expenses and delegations	61	79
auditors' remuneration - audit fee	37	36
other expenses	15,711	14,782
	<u>53,739</u>	<u>51,914</u>
<b>2. employees</b>	number	number
the average number employed was		
full time	871	783
part time	2,333	2,493
	<u>3,204</u>	<u>3,276</u>
	£000	£000
the costs incurred in respect of these employees were		
wages and salaries	21,545	21,100
social security costs	1,328	1,290
other pension costs	373	333
	<u>23,246</u>	<u>22,723</u>
<b>3. net financing charges</b>	£000	£000
interest payable		
bank overdraft and loans	700	1,022
finance leases	317	277
other interest	<u>39</u>	<u>0</u>
	1,056	1,299
less interest receivable		
listed investments	4	7
unlisted investments	165	126
other interest	<u>6</u>	<u>35</u>
	175	168
	<u>881</u>	<u>1,131</u>
<b>4. grants/donations</b>		
member relation activities & education grants	77	32
donations	94	45
	<u>171</u>	<u>77</u>

## Notes to the Accounts for the year ended 25 January 2003

	2003 £000	2002 £000
<b>5. taxation</b>		
current taxation		
UK corporation tax charge for the year	1,685	662
adjustment in respect of prior years	(58)	35
income tax	<u>0</u>	<u>1</u>
total current taxation	1,627	698
deferred taxation		
origination and reversal of timing differences	540	736
adjustment in respect of prior years	234	(430)
	<u>2,401</u>	<u>1,004</u>

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 year (26.4%) is lower than the standard rate for the reasons set out in the following reconciliation

profit before tax	<u>9,098</u>	<u>3,126</u>
tax on profit at standard rate of corporation tax in the UK of 30% (2002 30%)	2,729	938
factors affecting charge for the year		
expenses not deductible for tax	(504)	460
adjustments to tax in respect of prior years	176	(395)
income tax	0	1
tax charge for the year	<u>2,401</u>	<u>1,004</u>
effect of deferred tax		
capital allowances in excess of depreciation	(694)	287
other timing differences	(80)	(593)
total actual amount of current tax	<u>1,627</u>	<u>698</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 25 January 2003

## 6. intangible assets

	£000
goodwill	
cost	
26 January 2002	1,899
additions	45
25 January 2003	<u>1,944</u>
amortisation	
26 January 2002	157
provided for the year	107
25 January 2003	<u>264</u>
balance sheet value at 25 January 2003	<u>1,680</u>
balance sheet value at 26 January 2002	<u>1,742</u>

## 7. tangible fixed assets

	land & buildings £000	investment properties £000	plant transport & fixtures £000	total £000
cost or valuation				
26 January 2002	30,469	44,233	47,215	121,917
additions	1,987	2,371	7,018	11,376
disposals	(1,744)	(1,719)	(1,886)	(5,349)
reclassification	1,294	(1,068)	(286)	(60)
revaluation	0	5,319	0	5,319
25 January 2003	<u>32,006</u>	<u>49,136</u>	<u>52,061</u>	<u>133,203</u>
depreciation				
26 January 2002	8,076	0	30,760	38,836
provided for the year	685	0	3,837	4,522
disposals	(223)	0	(1,011)	(1,234)
reclassification	0	0	(60)	(60)
25 January 2003	<u>8,538</u>	<u>0</u>	<u>33,526</u>	<u>42,064</u>
balance sheet value at 25 January 2003	<u>23,468</u>	<u>49,136</u>	<u>18,535</u>	<u>91,139</u>
balance sheet value at 26 January 2002	<u>22,393</u>	<u>44,233</u>	<u>16,455</u>	<u>83,081</u>

The net book value of the Society's fixed assets includes £6.9m (2002 - £5.2m) in respect of assets held under finance leases.

Investment properties were valued independently as at 25 January 2003 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 25 January 2003

## 8. fixed asset investments

	2003 shares £000	loans £000	2002 shares £000	loans £000
unlisted				
CWS Ltd	1,252	0	1,252	0
other I & P Societies	76	0	76	0
others - including joint ventures	<u>8</u>	<u>62</u>	<u>8</u>	<u>80</u>
	1,336	62	1,336	80
listed				
others	<u>91</u>	<u>30</u>	<u>91</u>	<u>30</u>
	<u>1,427</u>	<u>92</u>	<u>1,427</u>	<u>110</u>
	<u>92</u>		<u>110</u>	
	<u>1,519</u>		<u>1,537</u>	

Other loans include interest bearing loans granted in accordance with the Society's normal terms and conditions to key management amounting to £6,000 (2002 £18,000).

The market value of the listed investments at 25 January 2003 was £179,000 (2002 - £228,000).

Investment in joint ventures represents 50% of the equity share capital at cost of the following companies which are incorporated in Great Britain and registered in Scotland

	2003 £
Scotmid-Miller (Great Junction Street) Limited	50
Scotmid-Miller (South Queensferry) Limited	50
Scotmid-Bett (Fountainbridge) Limited	50
	<u>150</u>

The principal activity of these companies is property development. Scotmid-Miller (South Queensferry) Limited and Scotmid-Bett (Fountainbridge) Limited have not commenced trading.

The aggregate amount of Scotmid-Miller (Great Junction Street) Limited's share capital and reserves as shown by its management accounts at 25 January 2003 amounted to £100. The company did not trade in this period other than the purchase of property from the Society as detailed in note 25.

The Society's share of Scotmid-Miller (Great Junction Street) Limited's balance sheet as at 25 January 2003 was as follows

	2003 £
current assets per Scotmid-Miller (Great Junction Street) Limited's accounts	1,150,050
share of inter company transactions	<u>(600,000)</u>
current assets	<u>550,050</u>
liabilities due within one year	<u>1,150,000</u>

On 30 January 2003 the Society entered into certain guarantees in respect of obligations of Scotmid-Miller (Great Junction Street) Limited under its financing arrangements. In the event of a failure by Scotmid-Miller (Great Junction Street) Limited to meet certain obligations the guarantees require the Society (along with its joint venture partner) to meet any shortfall in interest payments, to fund any project cost overruns and to procure the completion of the project.

## Notes to the Accounts for the year ended 25 January 2003

<b>9. debtors</b>	2003 £000	2002 £000
due by members for credit accounts	107	94
sundry debtors due within one year	7,061	5,739
sundry debtors due after more than one year	0	183
corporation tax recoverable	51	0
	<u>7,219</u>	<u>6,016</u>

### 10. creditors falling due within one year

trade creditors	16,715	16,599
holiday pay	490	577
VAT	309	470
other sundry creditors	1,941	1,906
accrued charges	3,149	2,487
PAYE and social security	365	364
payments received in advance	14	22
bank loan (secured)	1,632	1,632
obligations under finance leases	1,718	1,132
corporation tax	1,608	574
	<u>27,941</u>	<u>25,763</u>

### 11. loan creditors falling due after one year

bank loans	<u>6,636</u>	<u>8,268</u>
loan amounts falling due within one year (included in note 10 above)	1,632	1,632
between one and two years	1,632	1,632
between two and five years	4,897	4,897
after five years	107	1,739
	<u>8,268</u>	<u>9,900</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 25 January 2003

	2003 £000	2002 £000
<b>12. sundry creditors falling due after one year</b>		
obligation under finance leases	3,584	2,708
funeral bonds	1,535	1,545
	<u>5,119</u>	<u>4,253</u>

All obligations under finance leases are due in less than five years (2002 - £0 was due in more than five years).

### 13. deferred taxation

	£000	
balance at 26 January 2002	2,620	
revenue account charge	774	
balance at 25 January 2003	<u>3,394</u>	
The provision for deferred tax consists of the following amounts		
	2003 £000	2002 £000
capital allowances in excess of depreciation	3,406	2,711
other timing differences	(12)	(91)
	<u>3,394</u>	<u>2,620</u>

### 14. share capital

at beginning of year	3,665	3,613
interest	134	130
contributions	<u>234</u>	<u>101</u>
withdrawals	4,033	3,844
	155	179
at end of year	<u>3,878</u>	<u>3,665</u>

- (i) share capital is composed entirely of non equity shares
- (ii) share capital comprises 3,878,000 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 25 January 2003

## 15. movement on reserves

	revenue reserve £000	revaluation reserve £000	total £000
balance at 26 January 2002	40,649	24,315	64,964
surplus for year	6,697	0	6,697
transfer of realised revaluation arising on disposal of properties	782	(782)	0
surplus on revaluation of properties	0	5,319	5,319
balance at 25 January 2003	<u>48,128</u>	<u>28,852</u>	<u>76,980</u>

## 16. reconciliation of movements in shareholders' funds

	2003 £000	2002 £000
surplus after taxation	6,697	2,122
other recognised gains and losses relating to year	5,319	1,789
contributions and interest less withdrawals during year	<u>213</u>	<u>52</u>
opening shareholders' funds	12,229	3,963
	68,629	64,666
closing shareholders' funds - all non equity	<u>80,858</u>	<u>68,629</u>

## 17. financial commitments

future capital expenditure contracted for but not provided for	<u>2,400</u>	<u>1,250</u>
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# Notes to the Accounts for the year ended 25 January 2003

## 18. employees' superannuation fund

The scheme is a defined benefit (final salary) funded pension scheme.

The present scheme, the Scottish Midland Co-operative Society Pension Plan, is an amalgamation of two previous schemes. The most recent full actuarial valuation of the former schemes were carried out as at 28 January 2001 for the Scottish Midland Co-operative Society Limited Employees' Superannuation Fund, and as at 16 January 2000 for the North Tayside, Kilwinning and Strathaven Co-operative Society Limited Superannuation Fund. 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.

Employer contributions made in respect of the accounting period amounted to £373,000.

As required by SSAP 24 Accounting for Pension Costs the figures included in the financial statements in respect of the Society's pension scheme are based on actuarial valuations carried out on the above dates. This does not take into account any impact of the fall in general stock market values since these dates. Any such impact will be reflected in the next SSAP 24 triennial revaluation during the year ended 31 January 2004 based upon which subsequent pension costs will be determined until the adoption of FRS 17 Retirement Benefits.

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

### actuarial assumptions

	2003	2002
rate of increases in salaries	4.00%	4.00%
rate of increase in pensions post 05/04/97 service	2.40%	2.50%
rate of revaluation of deferred pensions	2.46%	2.50%
discount rate	5.32%	5.75%
inflation assumption	2.46%	2.60%

### fair value of assets and expected rate of return

	long term rate of return expected at 25 January 2003	value at 25 January 2003 £000	long term rate of return expected at 26 January 2002	value at 26 January 2002 £000
equities	7.0%	16,365	7.0%	18,547
bonds	5.5%	10,034	5.5%	13,829
total market value of assets		<u>26,399</u>		<u>32,376</u>

# Notes to the Accounts for the year ended 25 January 2003

## 18. employees' superannuation fund - continued

### net pension liability

The information below illustrates the net position of the scheme and the impact on the reserves had FRS 17 been implemented in full as at 25 January 2003

	value at 25 January 2003 £000	value at 26 January 2002 £000
total market value of assets	26,399	32,376
present value of scheme liabilities	<u>(38,567)</u>	<u>(36,619)</u>
liability in the scheme	(12,168)	(4,243)
related deferred tax asset	<u>3,650</u>	<u>1,273</u>
net pension liability	(8,518)	(2,970)
reserves at 25 January 2003	76,980	64,964
reserves after offsetting net pension liability	<u>68,462</u>	<u>61,994</u>

### movement in the scheme deficit during the year

deficit at 26 January 2002	(4,243)
current service cost	(506)
contributions	397
net financing charge	(57)
actuarial loss	(7,759)
deficit at 25 January 2003	<u>(12,168)</u>

Amounts that would have been included within the financial statements for the year ended 25 January 2003 had FRS 17 been applied are as follows

	value at 25 January 2003 £000
<b>amounts included within operating surplus</b>	
current service cost	<u>506</u>
<b>amounts included as net financing charges</b>	
expected return on pension scheme assets	2,014
interest on pension scheme liabilities	(2,071)
net financing charge	<u>(57)</u>

### amount recognised in the statement of total recognised gains and losses

	% of scheme assets	% of scheme liabilities	value at 25 January 2003 £000
actual return less expected return on pension scheme assets	24.3%		(6,406)
experience gains and losses arising on the scheme liabilities		2.5%	948
changes in assumptions underlying the present value of the scheme liabilities		6.0%	(2,301)
actuarial loss recognised in the statement of total recognised gains and losses		20.1%	<u>(7,759)</u>

# Notes to the Accounts for the year ended 25 January 2003

## 19. cash flow statement: reconciliation of surplus on ordinary activities to net cash inflow from operating activities

	2003 £000	2002 £000
operating surplus	5,074	4,519
exceptional items	<u>5,213</u>	<u>(51)</u>
surplus before interest	10,287	4,468
depreciation charges	4,522	4,320
amortisation of goodwill	107	95
gain on sale of tangible fixed assets	(5,213)	(102)
(increase)/decrease in stocks	92	(2,771)
increase in debtors	(1,152)	(176)
increase in creditors	548	2,646
net cash inflow from operating activities	<u>9,191</u>	<u>8,480</u>

## 20. cash flow statement: reconciliation of net cash flow to movement in net debt

	2003 £000	2002 £000
increase/(decrease) in cash for year	5,326	(314)
cash outflow from decrease in debt and lease financing	<u>3,109</u>	<u>3,074</u>
change in net debt resulting from cash flows	8,435	2,760
new finance leases	<u>(2,939)</u>	<u>(1,770)</u>
movement in net debt for the year	5,496	990
opening net debt	(13,456)	(14,446)
closing net debt	<u>(7,960)</u>	<u>(13,456)</u>

## 21. cash flow statement: analysis of net debt

	at 26 January 2002 £000	cash flow £000	other non-cash changes £000	at 25 January 2003 £000
cash at bank and in hand	1,302	5,094		6,396
bank overdraft	(1,018)	<u>232</u>		(786)
		5,326		
debt due after 1 year	(8,268)	0	1,632	(6,636)
debt due within 1 year	(1,632)	1,632	(1,632)	(1,632)
finance leases	(3,840)	<u>1,477</u>	(2,939)	(5,302)
		3,109		
total	<u>(13,456)</u>	<u>8,435</u>	<u>(2,939)</u>	<u>(7,960)</u>

# Notes to the Accounts for the year ended 25 January 2003

## 22. 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 £2.9m (2002 - £1.8m).

## 23. segmental reporting

class of business	sales		operating surplus		net assets	
	2003 £000	2002 £000	2003 £000	2002 £000	2003 £000	2002 £000
retail	201,927	197,830	3,412	2,981	31,722	24,396
property	3,703	3,395	1,662	1,538	49,136	44,233
	<u>205,630</u>	<u>201,225</u>	<u>5,074</u>	<u>4,519</u>	<u>80,858</u>	<u>68,629</u>

## 24. operating lease commitments

At 25 January 2003 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
	2003 £000	2003 £000	2002 £000	2002 £000
within two to five years	709	1,119	446	1,163
after five years	2,556	0	2,521	0
	<u>3,265</u>	<u>1,119</u>	<u>2,967</u>	<u>1,163</u>

## 25. related party transaction

On 24 January 2003 the Society sold an investment property at its open market value to a joint venture company in which it has a 50% interest, Scotmid-Miller (Great Junction Street) Limited, for £2,279,000. The resultant gain on sale of £1,200,000 is included in the revenue account as an exceptional item.

As at 25 January 2003 the Society was due £2,279,000 by Scotmid-Miller (Great Junction Street) Limited. This balance is included within sundry debtors at note 9.

# Notice of Meeting and Agenda of Business

Notice is hereby given that an Annual General Meeting of the Society will be held on Monday, 5th May 2003 at 7pm at the following places: The Gorgie Suite, Tynecastle Park, Gorgie Road, Edinburgh; Centenary Suite, Motherwell Football Club, Fir Park, Motherwell and also on Tuesday, 6th May 2003 at the Links Hotel, Mid Links, Montrose at 7pm.

## AGENDA OF BUSINESS

1. Synopsis of Minutes of Ordinary General Meeting held on 4th/5th November 2002.
2. Obituary References.
3. Directors' Report/Interim Accounts.
4. Appointment of Tellers.
5. Elections for Area Committees  
**East Area** 6 Members to serve for 3 years  
**West Area** 3 Members to serve for 3 years  
**North Area** 2 Members to serve for 3 years; 1 Member to serve for 2 years
6. Nomination and Election for Member Relations Committee  
**East Area** 5 Members to serve for 3 years  
**West Area** 5 Members to serve for 3 years  
**North Area** 2 Members to serve for 3 years
7. Nomination and Election of Members' Delegates to Co-operative Group Half Yearly Meeting, October 2003.  
**East Area** – 1 Delegate  
**West Area** –1 Delegate  
**North Area** –1 Delegate
8. Nomination and Election of Members' Delegates to Co-operative Party Annual Conference, September 2003.  
**East Area** – 1 Delegate  
**West Area** –1 Delegate  
**North Area** –1 Delegate
9. Synopses of Minutes of Board Meetings.
10. Consideration of remuneration of Office Bearers and Directors  
Present Remuneration  
**Central Board** President - £2,120 per annum; Vice President - £1,750 per annum;  
Minute Secretary - £1,130 per annum; Directors £810 per annum.  
**Area Committees** Chairman - £1,250 per annum; Vice Chairman - £1,150 per annum; Treasurer - £960 per annum; Minute Secretary - £900 per annum; Committee Members - £750 per annum.  
**Members' Relations Committee** Chairman - £650 per annum; Committee Members - £550 per annum.  
Tellers - £5.
11. Consideration of scale of fees for Directors' Delegations  
Present Scale  
Overnight - £60; Full day - £20; Part Day - £13
12. Consideration of Remuneration for Auditors.
13. Society Co-operative Party Council Report.
14. Report by Members' Delegates on attendance at Co-operative Group Half Yearly General Meeting, 26th October 2002.

## 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 25th January 2003.

The next General Meeting (Ordinary General Meeting) will be held on Monday, 3rd November 2003 at Edinburgh and Motherwell and on Tuesday, 4th November 2003 at Montrose.

# Synopsis of Previous Meeting

Of Ordinary General Meeting of Members of Scottish Midland Co-operative Society Limited held in the Gorgie Suite, Tynecastle Park, Gorgie Road, Edinburgh and Regal Community Theatre, 24/34 North Bridge Street, Bathgate on Monday, 4th November 2002 at 7pm and at the Links Hotel, Mid Links, Montrose on Tuesday, 5th November 2002 at 7pm.

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

Mr D Moon Jnr, Chairman of West Area Committee, presiding at Bathgate

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

1. Synopsis of Minutes of Annual General Meetings held on 6th and 7th May 2002 was submitted and adopted.
2. Sympathetic reference was made to the passing of Superannuated Employees.
3. The Directors' Report/Interim Accounts was read and accepted.
4. The following Tellers were appointed:  
**(East Area)** Mrs Duffy and Mrs Nisbet  
**(West Area)** Mr Smith and Mr Carse  
**(North Area)** Mr Crow and Mr Gilbert
5. Nominations for Area Committees  
**East Area** 6 Members to serve for 3 years  
Mr J Duffy, 55 Corstorphine Hill Gardens, Edinburgh; Mr H Smallman, 39 Allan Park, Kirkliston; Mr G O'Brien, 87 Countess Road, Dunbar; Mrs G Smallman, 39 Allan Park, Kirkliston; Mr F Murphy, 27 Allan Park Drive, Edinburgh; Mr J Miller, 30 Loanburn Avenue, Penicuik; Mrs G Dow, 60 Elder Street, Tranent  
**West Area** 4 Members to serve for 3 years; 1 Member to serve for 2 years  
Mr D Moon Jnr, 22 Morar Street, Wishaw; Mr A Dewson, 15 Jonquil Way, Carluke; Mr M Ross, 23 Striven Crescent, Wishaw; Mrs C Kane, 23 Moreland Gardens, Addiewell (Mrs Kane withdrew her nomination)  
**North Area** 2 Members to serve for 3 years; 2 Members to serve for 2 years; 1 Member to serve for 1 year  
Mr J Anderson, 1 Panmure Place, Montrose; Mrs M Smith, 66 Provost Buchan Road, Brechin; Mr G Hutcheon, 32 Latch Road, Brechin; Mr D Todd, 9 Strachans Park, Brechin (Mr Todd withdrew his nomination)
6. The following reports were submitted and approved  
Education Committees; Society Co-operative Party Council; Members' Delegate to Co-operative Party Annual Conference, Southport, 13th-15th September 2002.
7. After each meeting a Special Meeting of Members was held to consider adopting Resolutions to amend the Rules of the Society to alter the number of Directors, the number of members of Area Committees, the accreditation of Training and Development Programmes, the qualifications for office as a Member of an Area Committee and the replacement of Education Committees with a Member Relations Committee. 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 Interim Report and Financial Accounts.
2. Business Plan.
3. Development items
  - Property refurbishment
  - Sale of property
  - Closures
4. The Co-op Group's acquisition of Alldays was discussed.
5. Sale of Great Junction Street site to Scotmid-Miller (Great Junction Street) Limited was agreed.
6. Mr Bailey was elected to Central Board for a period of 2 years.
7. Agreed to the Co-operative Union's new corporate identity and to the name 'The Union of Co-operative Enterprises UK Limited'.
8. Delegates' reports on attendance at:

Store Visits.

Directors' Courses.

Co-operative Group Half Yearly Meeting, 26th October 2002.

Co-operative Party Annual Summer School, St Andrews, 3rd/10th August 2002.

Co-operative Party Annual Conference, Southport, 13/15 September 2002.

Scottish Co-op and Mutual Forum Half Yearly Meeting 7th December 2002.

# Standing Orders for Ordinary and Special Meetings

1. Notice of motion, other than alterations of Rules, for inclusion in agenda of business must be in the hands of the Secretary twenty-one days before date of meeting.
2. Notice of any proposed new rule or alteration or repeal of an existing rule must be submitted in writing to the Secretary 42 days before the Annual Meeting or any Special Meeting called for the purpose.
3. Movers of motions shall be allowed five minutes but shall not introduce new matters.
4. Any Member may move, without debate "that the question be now put", and if seconded, the motion shall be put forthwith.
5. No Member may speak twice on the same subject. Should a Member, however, persist in speaking more than once, thereby causing disruption, or make interjection during the discussion he shall be named by the Chairman and forbidden to take part in any further business on the Agenda, either by vote or speech.
6. Any Member may speak on a point of order, and the Member who was speaking must resume his seat until the Chairman has decided the point of order.
7. All questions of order, and questions arising out of debate or irrelevance to the question under discussion shall be decided by the Chairman. His decision shall be final unless same is challenged. In the event of such a challenge a vote of the Members present shall be taken, and the Chairman's decision shall be overturned if two-thirds of the votes cast are against the Chairman's decision.
8. If disorder should arise, the Chairman, acting on his discretion, may quit the chair and announce the adjournment of the meeting, and by that announcement the meeting is immediately adjourned, and no business subsequently transacted will be valid.
9. A motion once carried shall not be rescinded at any meeting without three months notice.
10. Where a negative is expressed against a motion or resolution, the Chairman shall declare an authoritative "For and Against" vote and no amendment shall be valid.
11. These Standing Orders may be suspended at any time at any meeting provided that two-thirds of the members present and voting decide in favour of the course.