

Contents

| | |
|--|---------------------------|
| Central Board, Officers & Advisors | Inside Front Cover |
| Directors Report | 1-2 |
| Interim Statement of Group Trading Activities | 3 |
| Notes to the Statement | 4 |
| Notice of Meeting and Agenda of Business | 5 |
| Synopsis of Previous Meeting | 6-7 |
| Standing Orders for Ordinary and Special Meetings | 8 |
| Area Committees & Education Committees | Inside Back Cover |
| Mission Statement | Back Cover |

Central Board of Directors, Officers & Advisors

President Mr John P Cronan (8)

Vice President Mr James Duffy (8)

Minute Secretary Mr John Anderson (9)

Directors

Mr I Bailey (Elected August 2002)

Mr R Brown (9)

Mr H Cairney (7)

Mrs J Cronan (8)

Mr J Gilchrist (8)

Mr J Hill (7)

Mrs M Hume (9)

Mr D Jamieson (2) (Elected May 2002)

Mr P Kane (9) (Resigned July 2002)

Mrs C Kerr (9)

Mr J Middleton (2) (Elected May 2002)

Mr D Moon Jnr (9)

Mr D Paterson (2) (Elected May 2002)

Mr H Smallman (9)

Mr J Watson (9)

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

Directors' Report

The results of the trading period to 7 September 2002 are detailed in the following interim directors report. Modest sales growth is reported with a gain on last year of 1.5% and the balance sheet is once again looking robust with net worth of £75 million following transfers to reserves of £6.1 million.

Retail

The market place has continued to be fiercely competitive. The ongoing investment in new systems in store and the programme of staff development have resulted in the society being better placed to take on these challenges as they arise.

Food

Total Food sales are positive and comparable sales are buoyant showing a significant increase on last year. One new store has opened in the period at Kingsknowe Road in Edinburgh. This is a community store and has performed very well in its first months of trade. The Society is delighted to re-establish a presence on the south side of Edinburgh with the proposed opening of a site at Nicolson Street prior to Christmas. In line with strategy, the Penicuik food store was sold in the period as it was under performing. The finance created by this deal will facilitate future expansion of the business.

Six major refits have been carried out in the period. Bankton and Alyth have produced particularly strong uplifts in sales to date with the others performing well. Leven Street is currently undergoing an upgrade to prepare it for competition from a multiple opening nearby.

The rollout of the new sales based ordering system is continuing with the first stage due for completion by January 2003. The benefits are apparent with lower stock holdings in the relevant categories.

Semi Chem

Semi Chem had a promising start to the year with good spring season sales but have suffered with a depressed early summer period due to poor weather. Recent sales have been very strong however producing a healthy uplift on last year for the half year period.

The remerchandising of stores prior to the introduction of the new sales based ordering system has produced definite benefits to sales. The extended range and uniform layout is clearly proving attractive to our customers.

The implementation of the new tills and back office software has continued and is now heading towards completion for Semi Chem. This has led to improvements in range availability in store but also in far better sales information which is vitally important to the buying team.

Airdrie has been the trial store for a new Semi Chem format offering a bright open environment for our customers. To date the sales performance has been excellent. Six further refits are planned this year.

The new radio frequency operated warehouse system is currently being implemented and is expected to bring major benefits to the business in future periods.

Funeral

The year to date position of Scotmid Funeral Service is showing depressed sales particularly in Broxburn. The recent adverse publicity has contributed to this downturn. Prompt action has been taken with new management appointed and all staff are showing commitment to the ongoing success of Scotmid Funeral Services.

Directors' Report

Property

The continued implementation of the property strategy is gathering momentum with the work starting on first of the Miller Joint Ventures at Great Junction Street in Edinburgh. The demolition of the existing property is underway to make way for a large development of flats and shop units.

Development is underway at George Place, Bathgate, to create three shop units with Semi Chem occupying one of them. West Main Street, Whitburn is due to commence soon which will provide for the relocation of the existing Semi Chem plus a shop unit, a flat and offices for letting.

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.

This activity will increase the value of our investment properties significantly.

Service Departments

Service departments continue to provide support to the trading functions. IT are still operating at full capacity in order to facilitate the continued roll out of the SBO system. New branch working arrangements have been required as a consequence of the system changes in some cases and this process has been aided by Human Resources.

The contracts to deliver the refit and property development work are handled by the Development Services department for both retail and property. This year has been very active and this is set to continue.

Staff development

Intensive training programmes have been conducted in the early part of the year with training for trainers, recruitment and customer service courses being run for all managers in addition to new system training where relevant. Fast track programmes are in operation mainly for food. Corporate Affairs and Scotmid Funeral Service are the latest departments to attain the "Investors in People" award.

Community activities

Efforts to create closer links with the community have continued. School visits, breakfast clubs and schemes promoting healthy eating plans for babies and toddlers have all been held.

Many fund raising activities have taken place this year for Chest, Heart and Stroke Scotland. A new initiative has recently been launched giving stores the ability to select charities locally to make fund raising activities more relevant to their communities.

Appreciation

The directors wish to thank our members, customers and staff for their continued support and look forward to a successful trading year.

Interim Statement of Group Trading Activities

| | 32 weeks to 7 September 2002 £'000 | 32 weeks to 8 September 2001 Restated* £'000 |
|---|--|---|
| Turnover | | |
| Total turnover | <u>134,153</u> | <u>132,028</u> |
| Profit | | |
| Trading profit | 3,015 | 2,911 |
| Exceptional items | <u>3,922</u> | <u>(15)</u> |
| Profit before interest | 6,937 | 2,896 |
| Net interest payable | <u>(700)</u> | <u>(777)</u> |
| Profit before distributions | 6,237 | 2,119 |
| Share interest | (83) | (76) |
| Grants and donations | <u>(74)</u> | <u>(31)</u> |
| Profit before taxation | <u>6,080</u> | <u>2,012</u> |
| Net Assets | | |
| Fixed assets | 86,085 | 82,700 |
| Net current liabilities | 2,840 | (1,211) |
| Long term liabilities | (11,445) | (12,402) |
| Provisions for liabilities and charges | <u>(2,621)</u> | <u>(2,314)</u> |
| Net assets | <u>74,859</u> | <u>66,773</u> |
| Cash Flow | | |
| Inflow from operating activities | 6,547 | 5,399 |
| Net interest paid | (858) | (884) |
| Corporation tax (payment)/refund | (446) | (100) |
| (Purchase)/sale of investments | 15 | 113 |
| Capital expenditure | (4,952) | (4,206) |
| Proceeds from sales of fixed assets | 6,359 | 1,669 |
| Acquisitions | (45) | 0 |
| Increase/(decrease) in members' share capital | 152 | 92 |
| (Increase)/reduction in net debt | <u>6,772</u> | <u>2,083</u> |
| Net Debt | | |
| Opening net debt | (13,456) | (14,446) |
| (Increase)/reduction in period | <u>6,772</u> | <u>2,083</u> |
| Closing net debt | <u>(6,684)</u> | <u>(12,363)</u> |

*Net Assets as at 8 september 2001 have been restated for the adoption of FRS 19

Notes to the Interim Statement

1. The financial information does not constitute statutory accounts and is not audited.
2. The interim statement has been prepared on the basis of the accounting policies set out in the year ended 26 January 2002 Annual Report and Accounts.
3. No provision has been included in the net assets statement for any possible tax charge, either current or deferred, which may arise.

Notice of Meeting and Agenda of Business

Notice is hereby given that an Ordinary General Meeting of the Society will be held on Monday, 4th November 2002 at 7 p.m. 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, 5th November 2002 at the Links Hotel, Mid Links, Montrose at 7pm.**

Agenda of Business

1. Synopsis of Minutes of Annual General Meeting held on 6th/7th May 2002.
2. Obituary References.
3. Directors' Report/Interim Accounts.
4. Appointment of Tellers.
5. Nominations for Area Committees:-
 - East Area**
6 Members to serve for 3 years
 - West Area**
2 Members to serve for 3 years
1 Member to serve for 2 years
 - North Area**
2 Members to serve for 3 years
2 Members to serve for 2 years
1 Member to serve for 1 years
6. Education Committees Report.
7. Society Co-operative Party Council Report.
8. Report by Member's Delegate on attendance at Co-operative Party Annual Conference, Southport, 13th/15th September 2002.
9. General Business.

At the conclusion of the General Meeting of Members, a Special Meeting of Members will be held to consider and, if though fit, adopt 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.

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 26th January 2002.

The next General Meeting (Annual General Meeting) will be held on Monday, 5th May 2003 at Edinburgh and Motherwell and on Tuesday, 6th May 2003 at Montrose.

Synopsis of Previous Meeting

Annual General Meeting of Members of Scottish Midland Co-operative Society Limited held at the Gorgie Suite, Tynecastle Park, Gorgie Road, Edinburgh and Regal Community Theatre, 24/34 North Bridge Street, Bathgate on Monday 6th May 2002 and at the Links Hotel, Mid Links, Montrose, on Tuesday, 7th May 2002.

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

Mr David Moon Snr, Vice-President of the Society, presiding at Bathgate.

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

1. Synopsis of Minutes of Ordinary General Meetings held on 5th and 6th November 2001 was submitted and adopted.
2. Sympathetic reference was made to the passing of superannuated employees
3. The Directors' Report and Annual Accounts were accepted.
4. The following Tellers were appointed:-
(East Area) Mrs Nisbet, Mrs Duffy and Mr Goodman
(West Area) Mr Smith and Mr Carse
5. Election of Members of Area Committees
East Area 6 Members to serve for 3 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
Mrs J Reid, 6 Avenue Road, Cockenzie, Prestonpans
Mr S Kerr, 89 Northfield Drive, Edinburgh
Mr J Miller was not eligible under Rule 54 (c).
Miss Williamson, Mr Jamieson, Mr Cairney, Mr Lynch, Mrs Reid and Mr Kerr were declared elected.
West Area 5 Members to serve for 3 years
Mr P Kane, 23 Moreland Gardens, Addiewell, West Calder
Mr J Gilchrist, 1 Branchalfield Drive, Wishaw
Mrs M Hume, 7 Honeyman Court, Armadale
Mr I Bailey, 4 McLardy Court, Uphall, Broxburn
Mr P Devenney, 25 Nettlehill Drive, Uphall Station, Livingston
Mr Kane, Mr Gilchrist, Mrs Hume, Mr Bailey and Mr Devenney were declared elected.
North Area 1 Member to serve for 1 year
Mr G Hutcheon, 32 Latch Road, Brechin
Mr Hutcheon was declared elected.

Synopsis of Previous Meeting

6. Election of Members of Education Committees

West Area 2 Members to serve for 3 years

Mrs A Milne, 91 Thomson Grove, Uphall, Broxburn

Mrs H Smith, 52 Cairneymount Road, Carluke

Mrs Milne and Mrs Smith were declared elected.

7. Nomination and Election of Members' Delegates to Co-operative Group Half Yearly Meeting, October 2002

East Area - 1 Delegate

Mr J MacKenzie, 57 Dalmeny Street, Leith, Edinburgh

West Area - 1 Delegate

Mr G Brown, 16 Harburn Avenue, Deans, Livingston

North Area - 1 Delegate

Mr R Gilbert, 16 Baltic Street, Montrose

8. Synopses of Minutes of Board Meetings were accepted.

9. Agreed to increase in remuneration of Office Bearers and Directors as recommended by Central Board.

10. Agreed to increase in fees for Directors' Delegations as recommended by Central Board.

11. Agreed to give authority to Central Board to decide remuneration for Auditors.

12. Under General Business, questions were raised and satisfactorily answered.

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 adjournments 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.

Notes

Area Committees

East

Mr J P Cronan (Chair) (5), Miss A Williamson (Vice Chair) (6), *Mr J Duffy (Minute Secretary) (6), *Mr H Smallman (Treasurer) (5), Mr R Brown (5), Mr H Cairney (4), #Mrs J Cronan (5), Mr J Hill (6), Mr D Jamieson (5), Mrs C Kerr (6), Mr S Kerr (2), Mr J Lynch (6), *Mr F Murphy (5), *Mr G O'Brien (6), Mr D Paterson (6), Mrs J Reid (2), *Mrs G Smallman (5)
6 meetings held.

West

*Mr D Moon Jnr (Chair) (6), Mr J Watson (Vice Chair) (5), Mr T McKnight (Minute Secretary) (6), Mr J Gilchrist (Treasurer) (6), Mr I Bailey (6), Mr M Clark (6), Mr P Devenney (6), *Mr A Dewson (6), Mrs M Hume (6), Mr P Kane (Resigned July 2002) (6), Mr R Kelt (6), Mr David McGrouther (6), Mr J Middleton (6)
6 meetings held

North

*Mr J Anderson (Chair) (6), #Mrs E Morton (Vice Chair) (6), *Mrs M Smith (Treasurer and Minute Secretary) (6), Mrs A Anderson (5), *Mr G Hutcheon (1), *Mr D Todd (2)
6 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.

Education Committees

East

Mr D Crombie (Chairman), Mr J MacKenzie (Secretary), Miss H Syme

West

Mrs M Ross (Chairman), Mrs E Moon (Secretary), Mrs J Hill, Mrs A Milne, Mrs M Moon, Mrs H Smith