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Central Board of Directors, Officers & Advisors

CENTRAL BOARD OF DIRECTORS

President Mr John P Cronan (8)

Vice President Mr James Duffy (8)

Minute Secretary Mr John Anderson (9)

DIRECTORS

Mr I Bailey (9)

Mr R Brown (8)

Mr H Cairney (5)

Mrs J Cronan (6) (retired May 2003)

Mr J Gilchrist (9)

Mr J Hill (7)

Mrs M Hume (8)

Mr D Jamieson (8)

Mrs C Kerr (5)

Mr J Middleton (9)

Mr D Moon (9)

Mr D Paterson (9)

Mr H Smallman (8)

Mr J Watson (8)

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 Mr Colin S Bird, FFA

Depute Chief Executive Officer and Secretary Mr John R Brodie, CA

Auditors Deloitte & Touche

Bankers Royal Bank of Scotland plc

Registered Office 92 Fountainbridge, Edinburgh, EH3 9QE

Directors' Report

The interim trading period for the year ended 31 January 2004 has been very encouraging. In the first 32 weeks of trade, turnover is 12% ahead of last year and operating surplus has increased by an impressive 21%. Net assets are £84m representing a 12% increase on week 32 last year.

In July the Society concluded its largest ever acquisition with the purchase of the Livingston based wholesaler, M&S Toiletries Ltd. Significant strategic benefits are anticipated due to the close synergy with the Semi Chem operation. Thirty retail units were being traded under Krackers and Basix fascias. Not all will remain open due to proximity to existing stores but 11 will be converted to Semi Chem in the near future. M&S Toiletries also have a warehouse in Wakefield which provides a base south of the border for future Semi Chem expansion.

Retail

Business performance in the year to date has been strong with Semi Chem and Food reporting significant improvements in both sales and surplus. The retail division is in a healthy position and is anticipating robust trading results in the remainder of the financial period. The results are particularly encouraging given that High Street competition remains intense.

Food

The strong sales performance has been supported by the continued development of the trading portfolio to improve the shopping experience for the Scotmid customer. Leith's refurbishment was completed in the early part of the trading period, incorporating many new fixtures to provide a greater emphasis on fresh food. A Semi Chem unit was also incorporated. Portobello and Uddingston were both converted to the newly developed market store format which is aimed at providing an enhanced fresh food offer in a bright inviting environment. Many other refits have taken place in the period.

Most food stores are now using sales based ordering technology and are continuing to expand its usage across the product categories in store. The strong performance will have been aided this year by improved product availability which is one of the main benefits of the investment.

The newly set up marketing department has launched the nationwide "It's a deal" campaign throughout Scotmid Food.

Semi Chem

Sales for the period have been excellent. The increased business confidence and success of the Semi Chem Strategy has led to the recommencement of the new store opening programme. Four new stores have opened in the period with encouraging performance and more are in the pipeline. Seven refits have also taken place with several more planned prior to Christmas.

A new advertising agency has been appointed and the "Every girl's best friend" campaign is now running with fresh point of sale and both generic and product specific television support.

The new instore technology has provided immediate availability benefits given its near 100% utilisation. Other business improvements have come from the buying team improving margins through increased category refinement and grey market dealing.

Directors' Report

Property

The property portfolio continues to be developed to maximise long term returns from the assets of the business. The conversion of the former works department into a 22 apartment courtyard development in the heart of Edinburgh's fashionable Stockbridge, is a recent example. Adjacent to this site, work has commenced on the refurbishment of flats 1-42 Patroithall. This project establishes the Society's commitment to upgrading its residential accommodation which will benefit many existing tenants.

Joint Ventures

The Great Junction Street development is progressing well and planning approval has been received for both Fountainbridge Head Office and South Queensferry developments.

Funeral

The new Head of Funeral services took over the position in the early part of the trading period and is in the process of reviewing and developing the business. The future development of the Head Office building in Fountainbridge requires the Funeral department to relocate their operations and this has been a priority. New premises have now been identified and are in the process of being secured. Thomas Brown and Sons at Broxburn is currently undergoing an extensive upgrade.

The trading performance to date has been disappointing and action has been taken to improve the results before the year end.

People

As Scotmid acknowledges that its people are its most vital asset, human resources continue to play a key role in the business. An employee survey conducted in June provided assurance that the approach taken has been effective as significant improvement was noted compared to the previous survey in 1998. The Building Better Business staff initiative was introduced this year allowing staff to make recommendations regarding improvements in the running of the business.

Service departments

The Finance department has been involved in supporting the acquisition of M&S toiletries limited and will play a key role, along with IT, in the coming months as its financial systems are integrated into Scotmid's.

The Marketing Department has conducted various focus groups and consumer panels to monitor customers behaviour, attitudes and opinions regarding specific aspects of the business.

Human Resources, Customer Services, Loss Prevention and Internal Audit, also continue to provide support to the business and assist with the integration of the acquisition.

Community events

The Charity of the year is currently the Daily Record sponsored save our kids campaign for which an impressive £36,000 has been raised to date. Other community events have included breakfast clubs, safety vests and the securing of CIS community grants for projects within our trading area.

Appreciation

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

Interim Statement of Group Trading Activities

	32 weeks to 6 September 2003	32 weeks to 7 September 2002
	£'000	£'000
Turnover		
Total turnover	<u>150,324</u>	<u>134,153</u>
Profit		
Trading profit	3,660	3,015
Exceptional items	<u>77</u>	<u>3,922</u>
Profit before interest	3,737	6,937
Net interest payable	<u>(539)</u>	<u>(700)</u>
Profit before distributions	3,198	6,237
Share interest	(85)	(83)
Grants and donations	<u>(98)</u>	<u>(74)</u>
Profit before taxation	<u>3,015</u>	<u>6,080</u>
Net Assets		
Fixed assets	100,609	86,085
Net current assets	9,030	2,840
Long term liabilities	(22,176)	(11,445)
Provisions for liabilities and charges	<u>(3,394)</u>	<u>(2,621)</u>
Net assets	<u>84,069</u>	<u>74,859</u>
Cash Flow		
Inflow from operating activities	9,679	6,547
Net interest paid	(722)	(858)
Corporation tax payment	(1,308)	(446)
(Purchase)/sale of investments	(559)	15
Capital expenditure	(6,670)	(4,952)
Proceeds from sale of fixed assets	458	6,359
Acquisitions	(12,678)	(45)
Increase in members' share capital	197	152
(Increase)/reduction in net debt	<u>(11,603)</u>	<u>6,772</u>
Net Debt		
Opening net debt	(7,961)	(13,456)
(Increase)/reduction in period	<u>(11,603)</u>	<u>6,772</u>
Closing net debt	<u>(19,564)</u>	<u>(6,684)</u>

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 25 January 2003 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, 3rd November 2003 at 7 p.m. at the following places:

**Roxburghe Hotel, George II Suite, 38 Charlotte Square, Edinburgh (Registration in Courtyard/Atrium),
Motherwell Football Club, Fir Park, Motherwell**

and also at 7 p.m. on Tuesday, 4th November 2003 at **the Links Hotel, Mid Links, Montrose.**

AGENDA OF BUSINESS

1. Synopsis of Minutes of Annual General Meeting held on 5th/6th May 2003.
2. Obituary References.
3. Directors' Report/Interim Accounts.
4. Appointment of Tellers.
5. Nominations for Area Committees:-
 - East Area** 5 Members to serve for 3 years
 - West Area** 6 Members to serve for 3 years
 - 1 Member to serve for 2 years
 - 1 Member to serve for 1 year
 - North Area** 1 Member to serve for 3 years
6. Nominations for Members Relations Committee
 - East Area** 2 Members to serve for 3 years
 - West Area** 1 Member to serve for 3 years
 - North Area** 2 Members to serve for 3 years
7. Member Relations Committee Report
8. Society Co-operative Party Council Report
9. Report by Members' Delegate on attendance at Co-operative Party Annual Conference
12/14 September 2003, Newcastle
10. General Business

At the conclusion of the General Meeting of Members, a Special Meeting of Members will be held to consider and if thought fit, adopt, an amendment to the Society's Rules to amalgamate the North Area Committee with the East Area 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 25th January 2003.

The next General Meeting (Annual General Meeting) will be held on Monday, 10th May 2004 at Edinburgh and Bathgate and on Tuesday, 11th May 2004 at Montrose.

Synopsis of Previous Meeting

The Annual General Meeting of Members of Scottish Midland Co-operative Society Limited was held at the Gorgie Suite, Tynecastle Park, Gorgie Road, Edinburgh and The Centenary Suite, Motherwell Football Club, Fir Park, Motherwell on Monday 5th May 2003 and at the Links Hotel, Mid Links, Montrose, on Tuesday, 6th May 2003.

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

Mr David Moon Jnr, Chairman of West Area Committee, presiding at Motherwell.

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

1. Synopsis of Minutes of Ordinary General Meetings held on 4th and 5th November 2002 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 Nesbet, Mr Donnelly and Mrs Begbie
 - (West Area) Mr Moon Snr and Mr Smith
 - (North Area) Mr Alford and Mr Gilbert
5. Election of Members of 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;
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
Mr Duffy, Mr Smallman, Mrs Smallman, Mr Murphy, Mr Miller and Mrs Dow were declared elected.
 - West Area** 3 Members to serve for 3 years
Mr D Moon Jnr, 22 Morar Street, Wishaw; Mr A Dewson, 15 Jonquil Way, Carluke;
Mr M Ross, 15 Marius Crescent, Motherwell
Mr Moon Jnr, Mr Dewson and Mr Ross were declared elected.
 - North Area** 2 Members to serve for 3 years, 1 Member to serve for 2 years
Mr J Anderson, 1 Panmure Place, Montrose; Mrs M Smith, 66 Provost Buchan Road, Brechin;
Mr G Hutcheon, 32 Latch Road, Brechin
Mr Anderson and Mrs Smith were elected to serve for 3 years
and Mr Hutcheon was elected to serve for 2 years.
6. Nomination and Election for Member Relations Committee
 - East Area** 5 Members to serve for 3 years
Mr D Crombie, 136 Old Dalkeith Road, Edinburgh; Mr J MacKenzie, 57 Dalmeny Street, Leith;
Mrs J Woolard, 35 Durar Drive, Edinburgh.
Mr Crombie, Mr MacKenzie and Mrs Woolard were declared elected.
 - West Area** 5 Members to serve for 3 years
Mrs M Ross, 2 McNeil Crescent, Armadale; Mrs E Moon, 22 Burnhall Road, Wishaw;
Mrs A Milne, 91 Thomson Grove, Uphall; Mrs J Hill, 33 Kings Crescent, Carluke;
Mrs M Moon, 22 Morar Street, Wishaw; Mrs H Smith, 52 Cairneymount Road, Carluke
Mrs Ross, Mrs E Moon, Mrs Milne, Mrs Hill, Mrs M Moon and Mrs Smith were declared elected.

Synopsis of Previous Meeting

North Area 2 Members to serve for 3 years

There were no nominations.

7. Nomination and Election of Members' Delegates to Co-operative Group Half Yearly Meeting, October 2003

East Area - 1 Delegate

Mr J MacKenzie, 57 Dalmeny Street, Leith, Edinburgh

West Area - 1 Delegate

Mr D Moon Snr, 22 Burnhall Road, Wishaw

North Area - 1 Delegate

Mrs E Morton, 1 Pearse Street, Brechin

8. Nomination and Election of Members' Delegates to Co-operative Party Annual Conference, September 2003

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

Mrs E Morton, 1 Pearse Street, Brechin

9. Synopses of Minutes of Board Meetings were accepted.
10. Agreed to increase in remuneration of Office Bearers and Directors as recommended by Central Board.
11. Agreed no increase in fees for Directors' Delegations as recommended by Central Board.
12. Agreed to give authority to Central Board to decide remuneration for Auditors.
13. The following reports were submitted and approved:-
Society Co-operative Party Council;
Members' Delegate to Co-operative Group Half Yearly Meeting, 26th October 2002.
14. 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 AND MEMBERS' RELATIONS COMMITTEE

EAST

Mr J P Cronan* (Chairman) (6)
Miss A Williamson (Vice Chairman) (6)
Mr J Duffy (Minute Secretary) (6)
Mr H Smallman (Treasurer) (5)
Mr R Brown* (6)
Mr H Cairney (6)
Mrs J Cronan (5) (retired May 2003)
Mrs G Dow (2) (elected May 2003)
Mr J Hill* (6)
Mr D Jamieson (4)
Mrs C Kerr*(5)
Mr S Kerr (6)
Mr J Lynch (6)
Mr J Miller (2) (elected May 2003)
Mr F Murphy (5)
Mr D Paterson* (5)
Mrs J Reid (6)
Mrs G Smallman (5)

6 meetings held

WEST

Mr D Moon (Chairman) (6)
Mr J Watson* (Vice Chairman) (6)
Mr T McKnight* (Minute Secretary) (6)
Mr J Gilchrist (Treasurer) (6)
Mr I Bailey (6)
Mr M Clark* (5)
Mr P Devenney (6)
Mr A Dewson (6)
Mrs M Hume (6)
Mr R Kelt* (6)
Mr David McGrouther* (5)
Mr J Middleton* (5)
Mr M Ross (2) (elected May 2003)

6 meetings held

NORTH

Mr J Anderson (Chairman) (6)
Mrs E Morton (4) (retired May 2003)
Mrs M Smith (Treasurer and Minute Secretary) (6)
Mrs A Anderson* (6)
Mr G Hutcheon (5)
Mr D Todd (1) (retired May 2003)

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.

MEMBERS' RELATIONS COMMITTEE

Mr D Crombie
Mrs J Hill (resigned September 2003)
Mr J MacKenzie
Mrs A Milne
Mrs E Moon
Mrs M Moon
Mrs M Ross
Mrs H Smith (retired September 2003)
Mrs J Woolard

Co-opted Members

Mr J Gilchrist
Mr S Kerr
Mrs M Smith