

RULES

of the

SCOTTISH MIDLAND
CO-OPERATIVE SOCIETY LIMITED

2008
(As amended by Members
at Special Meetings held on 14 September 2009
and 5 October 2009)

Registered Office: Hillwood House, 2 Harvest Drive, Newbridge, EH28
8QJ

All Previous Rules Rescinded

RULES

1. Interpretation

In these rules, including this rule, except where the context otherwise requires:

- (a) Words importing the singular or plural include the plural or singular respectively, and words importing the masculine gender only shall include females;
- (b) "the Act" means the Industrial and Provident Societies Acts, 1965 to 1978, as amended by any subsequent enactments;
- (c) "the Society" means the Scottish Midland Co-operative Society Limited;
- (d) "society" means any society registered under the Act;
- (e) "he", "him", "his", and "person" include a society;
- (f) "Registrar" and "Chief Registrar" shall have the same meaning as in the Act;
- (g) "these rules" or "the rules" means the registered rules for the time being of the Society;
- (h) "the Board" means the Board of Directors of the Society established under Rule 51, and "Regional Committee" means a Regional Committee established under Rule 52;
- (i) "officer" shall include any president or director elected or appointed by the members, together with the chief executive, and the secretary of the Society.
- (j) "elected representative" means a regional committee member or an elected member of the Board.

- (k) An “employee” shall be defined as an employee of the Society or any majority owned subsidiary or majority owned subsidiary company of the Society.
- (l) A “retired employee” shall be defined as a retired employee who is in receipt of a pension from the Trustee of any pension scheme established for the benefit of employees either of the Society or of any Society which has transferred its engagements to the Society, or of any society or company established, acquired or taken over by the Society.
- (m) A “recently retired employee” shall be defined as one who has retired within the preceding three year period.
- (n) “qualifying purchases” means the amounts paid (net of discounts) by a member of the Society for goods or services supplied to the member or member’s spouse/partner by one of the Society’s businesses.
- (o) these rules are to be construed and take effect in accordance with Scots Law.

NAME, REGISTERED OFFICE AND OBJECTS

2. Name and Registered Office of the Society

The name of the Society is the Scottish Midland Co-operative Society Limited, and its registered office shall be at Hillwood House, 2 Harvest Drive, Newbridge, EH28 8QJ.

3. Change of Registered Office

The registered office may be changed by resolution of the Board and notice of any such change shall be sent by the secretary to the Registrar within fourteen days thereof in manner and form prescribed by Treasury Regulations.

4. Use of Name of the Society

The name of the Society shall be mentioned in legible characters in all business letters of the Society, notices, advertisements, and official publications, bills of exchange, promissory notes, endorsements, cheques, or orders for money or goods purporting to be signed by or on

behalf of the Society, and on all bills, invoices, receipts, or letters of credit of the Society, and shall be conspicuously painted or affixed and kept painted or affixed, in letters easily legible, on the outside of every office or place of business of the Society.

5. Objects of the Society

The objects of the Society shall be to carry on the business of operating supermarkets, department stores, and such other shops or retail establishments for the sale or hire of goods and consumables of any kind to members of the public, and in that capacity to provide such goods and services for the customers of the Society as may seem expedient; to engage in the business of embalmers, undertakers, morticians and funeral directors, and coffin makers, engravers and stone masons, and to perform all services and work relating to such a business; and to carry on any other wholesale, retail or manufacturing business which the Society decides may conveniently be conducted in conjunction with any other activity of the Society, including hire purchase, credit sale and rental transactions.

The Society shall at all times conduct its business and affairs in accordance with the Co-operative principles as published from time to time by the International Co-operative Alliance serving the needs of its customers, employees and the communities in which it trades.

POWERS

6. General Powers

The Society shall have full power to do all things necessary or expedient for the accomplishment of all its objects, including the power to purchase, hold, sell, mortgage, rent, lease, or sub-lease lands of any tenure, and to erect, pull down, repair, alter or otherwise deal with any building thereon.

The Society shall also have the power to enter into block discounting transactions and upon such terms and conditions as the Board thinks fit to enter into any guarantee, contract of indemnity or suretyship, whether by personal covenant or by mortgage or charge on all or any part of the undertaking, property or assets of the Society or partly in

one way and partly in the other and in particular (but without prejudice to the generality of the foregoing) with or without consideration to guarantee or give security as aforesaid for the payment without limit of any principal monies, premiums, interest and other monies secured by or payable under any obligations or securities including particularly obligations or securities of any society which holds shares in the Society or which is a subsidiary of the Society, and of any company which is a subsidiary of the Society.

The Society shall also have the power to establish, maintain, manage, support and contribute to any schemes for the acquisition of shares in the Society by or for the benefit of any individuals who are employees or former employees of the Society or any subsidiary society or company upon such terms as the Board shall approve ('an Employee Share Scheme), and to establish, maintain, manage, support and contribute to any schemes for sharing profits of the Society or any such subsidiaries with any such employees or former employees.

7. Power to Establish a Pension Scheme

Without prejudice to the generality of the foregoing the Society shall have power to establish a pension or superannuation scheme for the benefit of its employees and to pay contributions thereto and to enter into any contract or trust deed for this purpose. The Society shall also have power to make such other provision for pensions for the benefit of its employees as it considers appropriate.

VALUES AND PRINCIPLES

8. Values and Principles

In conducting its affairs, the Society is committed to:

- (a) following the Co-operative Values and Principles;
- (b) respecting the rights and diversity of its members, employees and people dealing with the Society, treating them fairly and not discriminating on any grounds;

- (c) conducting its business in an open and honest way.

The Society shall be and remain a member of the Co-operatives UK Limited.

MEMBERSHIP

9. Who are Members?

The Society shall consist of all persons who hold at least the number of shares required to be held by Rule 10, whether singly or jointly.

10. Shares to be held by Members

Every member shall hold at least one fully paid share and no member other than a society shall have an interest in the shares of the Society exceeding such amount as may be prescribed in the law applicable to Industrial and Provident Societies for the time being in force.

11. Application for Membership

Subject as hereinafter mentioned the Board shall prescribe procedures for the submission, consideration and determination of all applications for membership of the Society.

Each application for membership shall be submitted in writing in such form as the Board may prescribe and shall contain an application for the number of shares a member is required to hold by virtue of Rule 10. The Board shall have full power in their absolute discretion to accept or refuse any application for membership and without prejudice to the generality of the foregoing may in their determination of applications take into consideration (inter alia) an applicant's likely participation in the business and activities of the Society and their anticipated support for and adherence to Co-operative principles. The Board may delegate the consideration and determination of membership applications to the chief executive officer and other senior managers appointed under him or to committees consisting of such of their own number as they shall think fit, who shall act under the direction and control of and conform in all respects to the instructions given to them by the Board with

particular reference to the implementation of all aspects of membership policy determined by the Board and shall not be required to state reasons for the deferral or refusal of any application.

No person shall be entitled to vote at meetings of the Society until after the expiration of a qualifying period of six calendar months from the date of their admission to membership.

The amount of the application fee payable shall be such as shall be determined from time to time by the Board.

12. Admission of Minors

A minor not under the age of 16 years may be admitted as a member, and execute all instruments and give all acquittances necessary to be executed or given under the rules, but may not be an officer of the Society.

13. Cessation of Membership

A member shall cease to be a member if for any reason whatsoever he ceases to hold at least the number of shares required to be held by virtue of Rule 10.

REGISTER OF MEMBERS

14. Duty to Keep Register

The Society shall keep at its registered office a register of members (in these rules referred to as "the register") in which the secretary shall enter the following particulars:

- (a) the names and addresses of the members;
- (b) a statement of the number of shares held by each member, of the amount paid, or agreed to be considered as paid, on the shares of each member and of the date and manner in which any share ceased to be held by any member;
- (c) a statement of other property in the Society, whether in loans,

deposits, or otherwise held by each member;

- (d) the date at which each person was entered in the register as a member, and the date at which any person ceased to be a member;
- (e) the names and addresses of the officers of the Society, with the offices held by them respectively, and the dates on which they assumed office.

15. Construction of Register

The Society shall either -

- (a) keep at its registered office a duplicate register containing the particulars in the register kept under Rule 14 above other than those entered under Clauses (b) and (c) of that rule; or
- (b) so construct the register kept under Rule 14 above that it is possible to open to inspection the particulars therein other than the particulars entered under the said Clauses (b) and (c) of Rule 14 without exposing those last mentioned particulars.

16. Change of Address and Serving of Notices

Any member changing his residence shall, within one calendar month thereafter, give notice thereof at the registered office of the Society, when the necessary alterations shall be made in the register of members.

All notices required to be sent, or given to members shall be deemed to be duly served if prominently posted by placard in the registered office and all places of business of the Society.

SHARE CAPITAL

17. Value of Shares

The shares of the Society shall be of the nominal value of £1 and shall be withdrawable only and (except as provided for in Rule 19 and Rule

34) not transferable.

18. Payment of Shares

Shares shall be paid for in full on allotment.

19. Allotment of Shares

Subject to Rule 18, the Board shall allot –

- (a) to members upon their admission the shares or shares for which they have applied, and shall allot from time to time any share or shares subsequently applied for;
- (b) to the trustee of any Employee Share Scheme such shares as the Board shall in its absolute discretion from time to time determine, and any shares so issued shall, subject to the rules of such Employees Share Scheme, be transferable only by the trustee to employees or former employees who are already individual members or are then admitted as individual members by a transfer document in a form approved by the Board, but such shares shall not subsequently be transferable;

provided that the total number of shares allotted to any member other than a society shall not together with any shares already held by him exceed in nominal value the sum prescribed in the law applicable to Industrial and Provident Societies for the time being in force.

20. Joint Membership

Shares may be held jointly by two or more members. A notice required to be given in relation to any share or shares which are so held shall be given to such one of their number whose name precedes the names of the others as joint holders in the register of members, and he only shall be entitled to vote and to take part in the administration of the Society. An application for the withdrawal of any shares or part of a share held jointly shall be made by either or any of the joint holders, who shall be able to give a valid receipt for any share capital repaid.

21. Recovery of Sums Due under Rules

All sums due from any member shall be recoverable from him, his executors or administrators, as a debt due to the Society.

22. Interest

Interest shall not be calculated on or for any fraction of £1, nor of a calendar month.

23. Withdrawal of Shares

Subject to Clauses (d) and (e) below, shares may be withdrawn by members upon giving one week's notice to the Society:

Provided that –

- (a) all withdrawals shall be paid in the order in which the notices were received by the Society.
- (b) except where a member withdraws from the Society as provided for in Rule 25, a member shall not be entitled to withdraw shares so as to leave him with less than the number of shares he is required to hold by virtue of Rule 10.
- (c) the Board may waive any notice required for a withdrawal and may direct payment to be made without notice or on such shorter notice as they consider fit.
- (d) except by the consent of the Board not more than one-tenth of the paid up share capital at 1st January in each year, including all sums under notice of withdrawal at such date, shall be withdrawable during the ensuing year; nor except with such consent shall any member be entitled to withdraw during any year more than one-tenth of the share capital standing to his credit on the said 1st January in such year unless the member withdraws from the Society as provided for in Rule 25.
- (e) the right to withdraw may by resolution of the Board be suspended either wholly or partially and either indefinitely or for a fixed

period. The suspension shall extend and apply to all notices of withdrawal which have been received and remain unpaid at the time the resolution suspending the right to withdraw is passed by the Board. Where the suspension is for a fixed period, such period may be extended from time to time by a resolution of the Board.

- (f) during any period when the right of withdrawal has been suspended under Clause (e) above, the shares of a deceased member may, if the Board so determines, be withdrawn by his legal personal representative upon giving such notice as the Board may require and subject as regards the amount payable on withdrawal to such deduction therefrom as the Board may from time to time determine.
- (g) the amount to be paid to a member on withdrawal shall be the amount paid up or credited on the share to be withdrawn.
- (h) no interest shall be payable upon any share in respect of which a notice of withdrawal has been given after the date of the notice.
- (i) no payment of withdrawable share capital shall be made while any claim due on account of any deposit is unsatisfied.

24. Cancellation of Withdrawn Shares

Any share withdrawn in accordance with the foregoing rule shall be cancelled.

25. Withdrawal from Society

A member may withdraw from the Society by withdrawing all his shares in the Society in accordance with Rule 23 or, if the right to withdraw shares has been suspended as provided for in that rule, by surrendering all his shares to the Society.

Upon such surrender the Board may in its discretion pay up to the withdrawing member any amount not exceeding the amount paid up or credited in the shares surrendered.

LIEN ON SHARES

26. Lien of the Society on Shares

The Society shall have a lien on the shares of a member for any debt due to it by the member, and may set off any sum standing to the member's credit including any loan money, interest, and dividends in or towards the payment of such debt.

BORROWING POWERS

27. Power to obtain Advances

The Society may upon such terms and conditions as the Board think fit obtain from time to time advances of money for the purpose of the Society and mortgage or charge any of its property and issue debentures and other securities; provided that the amount of money advanced for the time being remaining undischarged shall not at any time exceed 70% of the Society's net worth, calculated in accordance with the method of the Society's principal bankers. For the purposes hereof "net worth" means the aggregate of (i) the amount of paid up share capital of this Society for the time being and (ii) the aggregate amount of all reserves as shown in the audited Accounts of this Society at its year end following the advance.

28. Interest Payable on Advances

The interest payable on advances, other than advances on bank overdraft and loans secured by mortgage or charge, shall not exceed a rate equivalent to 3 per cent above the base lending rate of The Royal Bank of Scotland plc or such other bank as may act as the principal bankers to the Society or 5 per cent per annum whichever is the higher. In this rule the base lending rate of "The Royal Bank of Scotland plc or such other bank as may act as the principal bankers to the Society" means the base lending rate of The Royal Bank of Scotland plc or such other bank as may act as the principal bankers to the Society at the time of making the advance or at such time within the two years prior to the making of the advance or, in the case of an advance which is renewed after becoming repayable, within two years prior to its renewal or last renewal (if renewed more than once) as the directors determine. In the

event of The Royal Bank of Scotland plc or such other bank as may act as principal bankers to the Society, ceasing to publish a base lending rate then there shall be substituted therefor such other rate of interest as is as nearly equivalent thereto as possible.

29. Charges on Society's Property

Charges or debentures may contain a fixed charge upon any property of the Society specified therein and/or a floating charge upon its undertaking and all its property and assets both present and future, and a separate register shall be kept of all such charges and debentures.

30. Continuing Security to Bankers

A debenture or other security may be issued, or mortgage or charge given, as a continuing security to cover any sum due or to become due upon the account of the Society to any person with whom it may transact banking business but not exceeding the amount up to which the Society may obtain advances.

31. Deposits

The Board may receive from any persons, whether members or not, sums on deposit, withdrawable on not less than two clear days' notice, not exceeding in total the amount prescribed in the law applicable to Industrial and Provident Societies for the time being in force.

INVESTMENTS

32. Power to Invest Capital

The capital of the Society may be invested -

- (a) in advances to members or others on the security of real or personal property; and
- (b) in or upon any of the securities or shares specified in Section 31 of the Act;

but not otherwise.

33. Power to Vote in respect to Investments

The Board may appoint a representative to act on behalf of the Society in relation to any other body corporate in the shares or on the security of which the Society has invested any part of its capital, although the person appointed is not a shareholder in such other body corporate.

TRANSMISSION OF INTEREST IN SOCIETY

34. Nominations

A member may in accordance with the Act nominate any person or persons to whom (subject to the provisions of the Act as to the amount and the persons to whom a valid nomination may be made) any of his property in the Society at the time of his death shall be transferred.

On receiving satisfactory proof of death of a member who has made a nomination the Board shall if and to the extent that the nomination is valid under the Act either transfer or pay in accordance with the Act the full value of the property comprised in the nomination to the person entitled thereunder.

Upon a claim being made by the personal representative of a deceased member or the trustee in bankruptcy of a bankrupt member to any property in the Society belonging to the deceased or bankrupt member the Board shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled as the personal representative or trustee in bankruptcy may direct them.

Subject to the provision in the last sentence of this paragraph, where in the case of a member or person claiming through such a member, the Board are satisfied after considering medical evidence that such member or person is incapable through disorder or disability of mind of managing his own affairs and are also satisfied that no person has been duly appointed to administer his property on his behalf and it is proved to the satisfaction of the Board that it is just and expedient so to do, the Society may pay the amount of any shares, loans, and deposits belonging to such member or person to any person whom they shall

judge proper to receive it on his behalf, whose receipt shall be a good discharge to the Society for any sum so paid. The foregoing shall not apply when such member or person is a person in respect of whom there is incumbent on a local health authority any responsibility or duty under the law applicable for the time being in Scotland with respect to the reception, care and treatment of mentally disordered persons and the management of their property and affairs, where that authority is satisfied that that person is incapable by reason of mental disorder, of adequately managing and administering his property and affairs.

35. Fee on Nomination, Revocation, or Variation

The Board may charge £10 for the recording of every nomination, revocation, or variation, whether or not accompanied by a fresh nomination.

36. Joint Holders of Shares

On the decease of a joint holder of any share, it shall be transferred into the name of the survivor or survivors on his or their application.

MEMBERS' MEETINGS

37. Members' meetings of the Society shall be either ordinary meetings or special meetings. These meetings can comprise separate Regional Member Meetings ("Regional Meetings") and may be held in more than one venue. Every member who under Rule 47 has a vote (including the deputy of a society or company) shall be entitled to attend and vote at such meetings on the production of such evidence as the Board may from time to time determine.

38. Ordinary Meetings

(a) Ordinary meetings of the Society shall be held on the dates and times and at the place or places as the Board may from time to time determine. At least one meeting shall be held within four calendar months of the financial year end which shall be the annual general meeting.

- (b) Ordinary meetings shall be held in such place or places as the Board determines from time to time.
- (c) Members of the Society are entitled to attend any meeting but no Member shall vote at more than one meeting.
- (d) The same agenda of business shall be considered at all Regional meetings and all votes for and against matters coming before the meeting, with the exception of votes cast in respect of elected representatives, shall be added together and the matters shall be determined accordingly. In the case of motions and amendments, all meetings shall vote thereon as though the amendments were separate motions and such motions or amendments voted upon as a motion as received the highest number of votes in support shall be carried. Notice of the results of all voting shall be exhibited on the Society's website.
- (e) A Regional meeting may also transact any business relating to that Regional Committee only, as may be determined by the Board.

39. Business of Ordinary Meetings

An ordinary meeting may transact the following business:

- (a) the consideration of the accounts, balance sheets, and the reports of the Board and auditor and the application of the profits;
- (b) the appointment of the auditor;
- (c) nomination and/or election of elected representatives
- (d) any other competent business in accordance with Standing Orders;
- (e) any other matter of which at least 21 clear days' written notice has been given to the secretary by a member, provided always that the Board shall have in its and the secretary's reasonable opinion the discretion not to include such a motion if -
 - (i) the publicity for it would be likely to diminish substantially the confidence in the Society of investing members of the public; or
 - (ii) it seeks needless publicity for defamatory matters; or

- (iii) it is submitted for frivolous or vexatious purposes; or
- (iv) it concerns matters relating to the day to day management of the Society falling properly within the discretion of the Board; or
- (v) it does not relate directly to the affairs of the Society; or
- (vi) it is in substantially the same terms as any motion which has been defeated at any meeting of the Society held during the preceding 2 years.

Any amendments to proposals appearing on the notice convening a meeting shall be submitted in writing to the registered office not less than 14 clear days before the date of the meeting.

40. Special Meetings

Special meetings shall be convened by the secretary, either on an order of the Board, or upon a written requisition signed by at least 100 members, save that a members' requisition for a special meeting at which a special resolution for any purpose specified in Rule 92 is to be proposed shall be signed by at least 500 members. Special meetings shall be held as soon as is reasonable after the receipt of the order or delivery of the requisition, at such places and times as ordinary meetings are held. A requisition must state the objects of the meeting and must contain the name, address and share number of each requisitioner and be delivered at the registered office.

41. Failure to Convene Special Meetings

If after the expiration of 14 clear days from the delivery at the registered office of any such written requisition for a special meeting as is referred to in the previous rule the secretary has failed to convene the special meeting any of the requisitionists may convene a special meeting by giving the notice provided for in Rule 43 and shall have a claim upon the Society for any costs properly incurred in giving such notice.

42. Business of Special Meetings

A special meeting shall not transact any business not specified in the notice convening it. An ordinary meeting may be made a special

meeting for any purpose of which due notice has been given, provided that such business is not brought on until the business of the ordinary meeting is concluded.

43. Notice Convening Meetings

A meeting shall be convened by notice posted conspicuously in the registered office and in all other places of business of the Society trading as "Scotmid" to which the members have access eight clear days at least before the day of the meeting. The notice shall specify the place, the time, and the date of the meeting, whether the meeting is an ordinary, annual, or special meeting and the business to be transacted thereat

44. Quorum of Meetings

A special meeting convened on the requisition of the members for any purpose specified in Rule 92, or at which a resolution for the rescission or alteration of this rule or Rules 40, 90 or 93 is to be proposed and any ordinary meeting at which a special resolution for any purpose specified in Rule 92, or at which a resolution for the rescission or alteration of this rule or Rules 40,90 or 93 is to be proposed, may only proceed to business if a quorum of at least 1% of the membership of each Region of the Society entitled to vote is present at each Regional meeting within half an hour after the time fixed for the meeting, provided always that no resolution may be passed at any such meeting unless the aggregate number of members entitled to vote present at all the Regional meetings equates to at least 1% of the total membership of the Society.

Except as aforesaid a meeting may proceed to business if a quorum is present within half an hour after the time fixed for the meeting; otherwise the meeting, if a special meeting convened on the requisition of the members, shall be dissolved, but if an ordinary meeting or a special meeting convened by order of the Board, shall stand adjourned to the same day in the week following, at the same time and place, and the meeting so adjourned may proceed to business whatever is the number of members present but only in respect of business other than for any purpose specified in Rule 92 or at which a resolution for the

rescission or alteration of this rule or Rules 40, 90 or 93 is to be proposed. Notwithstanding the foregoing, in the event of the Board proposing business for any purpose specified in Rule 92 or putting forward a Resolution for the rescission or alteration of this rule or Rules 40, 90 or 93, then such business may be considered and transacted at such adjourned meeting whatever the number of members present.

No meeting shall become incompetent to transact business from the want of a quorum arising after the chair has been taken.

Except as aforesaid ten members (including deputies of societies or companies) having a vote and present in person shall be a quorum for each Regional meeting.

45. Power of Adjournment

Any meeting, duly constituted, may adjourn to such place, time, and day within 30 days as the members present direct, and may continue any such adjournment from time to time. No business shall be transacted at any adjourned meeting which could not have been transacted at the meeting from which the adjournment took place; and the same notice shall be given of any meeting adjourned for more than 14 days, as is required in the case of an original meeting.

46. Chairman of Meetings

The president of the Society shall, if present, take the chair at any meeting, or, if there is no president, or if he is not present, the chair shall be taken by the vice-president, or if he is not present the chair shall be taken by such chairman or vice-chairman of a Regional Committee as the meeting may determine, failing all of whom, by such director as the meeting may determine.

47. Votes of Members

Every member, who at the date of the meeting, is duly credited in the books of the Society with a minimum of one fully paid share deposited prior to the end of the previous financial year shall have one vote, provided that no member shall be entitled to vote until after the

expiration of a qualifying period of six calendar months from the date of their admission into membership. Members holding shares jointly shall have one vote between them which may be exercised only by such one of their number as appears first by name in the register of members. A society or company may exercise its vote by its deputy appointed as hereinafter provided. No member may vote at more than one meeting.

47.1 Votes for elected representatives at Members' Meetings

- (a) The eligibility to vote for elected representatives in a region will normally be determined by the member's principle residential address
- (b) In the event of a dispute or to provide clarification regarding membership of a Region, the Board shall have the power to determine the Region to which a Member is allocated.
- (c) Members of the Society shall have their eligibility to vote for elected representatives confirmed prior to the commencement of the meeting.
- (d) Voting will be by ballot.
- (e) A Member of the Society, who is required, by virtue of their employment, to attend a Regional Meeting but who is a member of another Region, may apply to the Secretary for permission to cast their vote and have it counted at the relevant Regional Meeting.
- (f) At the discretion of the Board, an individual may apply for permission to become a member of another Region by virtue of the location of their place of employment.
- (g) A Member of the Society may only change membership of the Region to which they belong upon application to the Secretary. No applications will be accepted within two months of receipt of nominations for elected office.

48. How Votes shall be taken

At any meeting a resolution put to the vote shall be decided on a show of hands unless a ballot is demanded by the Board or by ten members present at the meeting.

The ballot shall be taken at the meeting in such manner as the chairman

of the meeting directs. Subject to any special provision contained in these rules or an Act of Parliament all resolutions shall be carried by a simple majority of votes.

49. Appointment and Powers of Deputies

A member, being a society or company, may by resolution of its directors or committee of management appoint any person as deputy to act on its behalf at any meeting or meetings of the Society and provided that a copy of such resolution signed by the secretary and two directors or members of the committee of management of the society making the appointment has been delivered to the Society at least 24 hours before the holding of the meeting or meetings at which he is to act as deputy he shall be competent during the continuance of his appointment to act as if he were a member. The appointment of a deputy shall be taken to continue until a copy of a resolution appointing another person as deputy in his stead is delivered as aforesaid.

50. Standing Orders

Standing orders for the conduct of meetings and for the closure of business thereat may be made by the Board and subject to any resolution passed at an ordinary meeting such standing orders shall be binding on all members and their representatives.

CORPORATE GOVERNANCE

51. Corporate Governance

The responsibilities or functions of the Board, Executive Management and the Secretary, which at all times are to be performed in accordance with these Rules, are as follows:

51.1 Board of Directors

The Board of Directors shall consist of a maximum of twelve elected directors as follows:-

- (a) A maximum of five directors shall be elected by the membership of the East Region, a maximum of five directors shall be elected by the membership of the West Region and a maximum of two directors shall be elected by the membership of the North Region
- (b) Elections and nominations for the Board shall be conducted under such arrangements as the Board shall determine and voting shall be by ballot at the annual or ordinary meetings each year.
- (c) Prospective elected directors must be members of a Regional Committee and be nominated and seconded by Regional Committee members. A Regional Committee member wishing to stand for election to the Board may self nominate.
- (d) No more than three directors may be employees.
- (e) No more than five directors may be employees, superannuated recently retired employees or spouses/partners of the foregoing.
- (f) Directors shall normally serve for a term of three years from the date of their election, and at each Ordinary Meeting one-third of their number shall retire but shall be eligible for re-election if otherwise duly qualified in all respects.
- (g) The Board shall appoint from their number a President and a Vice - President who shall each hold office for three years. The President shall act as chairman at all Board meetings and at ordinary and special meetings of the Society, at which he shall have a deliberative as well as a casting vote, and shall, by virtue of his office, be a member of the General Purposes Committee and any special sub-committees. The President may not be a member of the Audit Committee. No Director shall be President of the Society for a period exceeding six years.
- (h) The Board shall have the power to fill casual vacancies on the Board from the Regional Committee from which the vacating director was elected. Any person temporarily appointed to fill any casual vacancy shall retire from office at the following Annual or Ordinary General Meeting at which time the individual filling the casual vacancy may stand for re-election.
- (i) The Board may co-opt up to two professional external directors to the Board in addition to the number of elected directors specified in these Rules provided that at all times the number of professional external directors shall be in the minority. A co-opted Director shall not require to be a member. He shall serve for a fixed period determined by the Board at the time of co-option, subject to a review at least every twelve months, may be removed from office at any time by a resolution passed by a majority of the members of the Board, and shall be remunerated in an amount (to be disclosed in the published accounts) from time to time

fixed by the Board.

Board of Directors Responsibilities

The Board has the following responsibilities:-

- (a) to ensure that the Society's affairs are conducted in accordance with these Rules, the best interests of the Society and its members and in accordance with the Co-operative Values and Principles;
- (b) to determine the strategy and policy of the Society in consultation with the Chief Executive and the Management Executive;
- (c) to oversee the Chief Executive and the Management Executive in the day-to-day management of the business of the Society.

The Board has the following rights and powers:

Subject to what the Industrial and Provident Societies Acts 1965 to 2003 and these Rules say, the Board

- (i) may exercise all the powers of the Society;
- (ii) appoints, removes and fixes the remuneration and terms of employment of the Chief Executive and the Secretary;
- (iii) approves the appointment and removal by the Chief Executive of other members of the Management Executive;
- (iv) may at any time call upon the Chief Executive, any member of the Management Executive or the Secretary to report or obtain a report in writing upon any matter in connection with or concerning the business of the Society;
- (v) determines from time to time those matters which require the approval of the Board;
- (vi) approves the use of the Society's seal if it has one.

51.2 Chief Executive and Management Executive

The Chief Executive and the members of the Management Executive are responsible for conducting the day-to-day business of the Society and shall do so in accordance with these rules.

51.3 Secretary

The functions of the Secretary include:

- (a) acting as the Secretary to the Board;
- (b) monitoring the conduct of the Society's affairs to ensure that they are conducted in accordance with these Rules;
- (c) publishing to members in an appropriate form information which they should have about the affairs of the Society;
- (d) custody of the Society's seal if it has one;
- (e) acting as returning officer for elections;
- (f) preparing and sending all returns required to be made to the Financial Services Authority; and
- (g) making all necessary entries in all registers required by these rules or the Industrial and Provident Societies Acts to be kept by the Society.
- (h) The office of the Secretary shall not be held by the person who for the time being holds the office of Chief Executive of the Society.

52. Regional Committees

There shall be three elected Regional Committees as follows:

- (a) The East, West and North Regional Committees shall each consist of a maximum of twelve Regional Committee members.
- (b) Elections and nominations for the Regional Committees shall be

conducted under such arrangements as the Board shall determine.

- (c) Regional Committee Members shall be elected to represent Members of the Society who have their principle residential address within the geographic boundaries of that Region.
- (d) Nominations for prospective Regional Committees Members shall normally be accepted at the Ordinary General Meetings. A member wishing to stand for election to a Regional Committee must be nominated and seconded.
- (e) No more than three members of each Regional Committee may be current employees.
- (f) No more than five members of each Regional Committee may be employees or recently retired employees.
- (g) Regional Committee members shall normally serve for a term of three years from their date of election, and at each annual meeting one-third of the number of each Regional Committee shall retire but shall be eligible for re-election if otherwise duly qualified in all respects. At their first meeting following the Annual General Meeting each year each Regional Committee shall from their number appoint a chairman and vice-chairman.
- (h) The chairman, or in his absence, the vice-chairman, shall take the chair at each meeting of his Regional Committee and shall have a deliberative as well as a casting vote.

Regional Committees shall have the following functions:

- (i) to provide nominees to the Board.
- (ii) to represent the views of members in their Regions and to feedback local issues relevant to trade in that Region.
- (iii) to promote the membership of the Society and to implement the Society's overall membership strategy in the Region as agreed by the Board of Directors.

- (iv) to participate and support Community activities and events in the Region.
- (v) to manage the Regional Community Budget and to allocate Community Fund awards from that budget in accordance with guidelines determined by the Board.
- (vi) to receive reports on appropriate matters from the Board representative(s) and to be consulted on any issues or undertake such duties as the Board may determine from time to time.
- (vii) to receive reports from management on the sales performance of the Society's main businesses in the Region.
- (viii) to develop an awareness of the Society's activities and the general business environment within the Region.
- (ix) to represent the Society at activities organised by the wider Co-operative Movement within the Region, as approved by the Board.
- (x) to report to the Board on the activities of the Regional Committee

53. Supplementary Provisions

In the event of any other society or societies transferring their engagements to this Society, the Board having due regard to the principle of proportional regional representation shall have power:-

- (a) to establish additional Regional Committees to be constituted as the Board shall determine in order to represent the members of the transferor society or societies;
- (b) to augment the existing Regional Committees by co-opting on to same such representatives of the transferor society or societies as the Board shall determine; and
- (c) to augment the Board of Directors by co-opting on to same such additional members of the existing Regional Committees and such members of any additional Regional Committee or Regional Committees established under Clause (a) above, as the Board shall

determine.

Any such co-optees may take part in the deliberations of the Board of Directors and Regional Committees as the case may be and may vote at any meetings thereof.

Any such additional Regional Committees shall subsist and such co-optees shall serve only until the annual meeting first following the completion of one year from the date on which such transfer of engagements becomes effective.

54. Qualifications for Office

The following qualifications and disqualifications shall apply on nomination for, appointment or election to and where applicable during service on the Board of Directors and Regional Committees –

General conditions:

- (a) A director or Regional Committee member shall be a member of the Society.
- (b) No member shall be eligible who –
 - (i) is under 18 years of age; or
 - (ii) has attained his 72nd birthday. Any member of the Board or Regional Committee on reaching his 72nd birthday shall retire at the immediately following annual meeting and shall not be eligible for re-nomination.
- (c) No member shall be eligible for the office of director or Regional Committee member who has ever been dismissed (save for redundancy) from the employment of the Society or a society which has transferred its engagements to the Society, or who has ever been removed from office pursuant to Rule 55 or expelled from membership of the Society pursuant to Rule 87.
- (d) No member shall be eligible for nomination for or service as a director or Regional Committee member who or whose spouse or partner is engaged in a managerial capacity in the carrying on of

any business trade or undertaking which in the opinion of the Board competes in any way with any business trade or undertaking carried on by the Society.

- (e) Any member who or whose family member holds an elected representative position in another Society, which in the opinion of the Board, is considered to be a conflicting Society shall not be eligible to act as a director or Regional Committee member.
- (f) Any member who or whose spouse or partner is concerned in or participates in the profits of any contract made with the Society except as a non-managerial member or employee of any society or company which contracts with or does work for the Society shall not be a director or Regional Committee member.
- (g) The president shall not be an employee of the Society nor an employee of any person, firm or corporate body which supplies goods or services to the Society and which in the opinion of the Board is to a material extent dependent upon the patronage of the Society, nor the spouse of any of the foregoing.
- (h) Any person who is or becomes bankrupt or who served on the board of any society or other corporate body immediately before it went into insolvent liquidation, receivership or administration, or against whom any disqualification order has been made under the Company Directors Disqualification Act 1986 shall be disqualified from being a director or Regional Committee member and if a sitting member of the Board/or any Committee of the Society shall thereupon vacate his office.
- (i) A person who is incapable through disorder or disability of mind of managing his own affairs shall not be a director or Regional Committee member.
- (j) A director or Regional Committee member who is absent from four successive meetings of the Board or a Regional Committee without good reason established to the satisfaction of the Board shall vacate his seat.
- (k) Directors and Regional Committee members who without good reason established to the satisfaction of the Board fail to

undertake such personal training and development throughout their terms of office as may be prescribed by the Board pursuant to the following provisions of this clause of this rule shall if the Board in their absolute discretion so determine thereupon vacate their seat and shall be disqualified from further service until they have undertaken the requisite training to the satisfaction of the Board.

- (l) All directors and Regional Committee members shall undertake such training for office as shall be prescribed by the Board in accordance with the following minimum requirements –
- (i) A structured training programme for newly elected Regional Committee members to be completed to the satisfaction of the Board within three years of election and;
 - (ii) a programme of continuing development for all directors and Regional Committee members with a minimum requirement of attendance at one Course per annum.
 - (iii) All training and development programmes prescribed for the purpose of this clause of this rule shall be facilitated by a recognised higher or tertiary educational institution; or by individuals(s) with an appropriate professional qualification or are, in the opinion of the Board, considered to be specialists in their field, in relation to the training provided.
- (m) At any one time, only up to two members of one family will be eligible to serve as members of the Board of Directors of the Society or as members of the Regional Committees of the Society.

A member of one family means, in respect of any person, that person's spouse, partner, parent, grandparent, child, sibling, and for the purposes of the foregoing (a) grandparents, parents, children and siblings shall include those of whole or half blood, those by birth or by legal adoption, and those of a step relationship, and (b) persons shall be treated as partners if they lived together in the same household in a long term relationship.

Board Director conditions:

- (a) No member shall be eligible for the office of director who, at the time of nomination, has not held at least £50 share capital, and during his term of office continues to hold at least £50 share capital, in the Society or a society which has transferred engagements to the Society.
- (b) No member shall be eligible for the office of director who, at the time of election, has not been a member of a Regional Committee or an equivalent Committee from a transferring society for at least two years.
- (c) No member shall be eligible for the office of director who, at the time of nomination, has not had, and during his term of office continued to have, a minimum of £250 per annum of qualifying purchases.
- (d) No member shall be eligible for the office of director if he/she is a member of the Society's Senior Management Team or an employee who reports directly to a member of the Society's Senior Management Team.

Regional Committee member conditions:

- (a) No member shall be eligible for the office of Regional Committee member who at the time of nomination has not been a member of the Society for at least one year and must hold at least £25 share capital by the time of nomination. The Regional Committee member must continue to hold at least £25 share capital in the Society throughout his term of office
- (b) No member shall be eligible for the office of Regional Committee member who, at the time of re-nomination, has not had, and during his term of office continues to have, a minimum of £250 per annum of qualifying purchases.
- (c) No person shall be eligible for nomination for service as a Regional Committee member who has his principal residence outwith the Region he wishes to represent. An individual may apply to the Board for permission to represent a Regional Committee within the geographical location of their place of employment. Once elected to serve on a Regional Committee,

an elected member is not required to resign from that elected position due to a change in their principle residential address or place of employment.

55. Removal of Board/Regional Committee Member

- (a) A director or Regional Committee member may be removed from office at any time by two-thirds of the votes cast at a special meeting of the Society, and such meeting may by resolution fill the vacancy. Pending the decision of such special meeting a director or Regional Committee member may be suspended from his duties by resolution of two-thirds of the Board if in their opinion he has been guilty of conduct detrimental to the interests of the Society or is otherwise thought to be unfit to carry out his duties
- (b) A director may be removed from office at any time by not less than two-thirds of the remaining Directors if, in their opinion he is guilty of: a serious breach of the code of conduct ; conduct detrimental to the interests of the Society; or is otherwise thought to be unfit to carry out his duties.
- (c) A Regional Committee member may be removed from office at any time by not less than two-thirds of the Board if, in their opinion, he is guilty of conduct detrimental to the interests of the Society or is otherwise thought to be unfit to carry out his duties.
- (d) The Board shall have the power to:
 - (i) suspend the rights of the Director/Regional Committee member to attend Board/Regional Committee meetings and vote under these rules for an initial period of six months in order to allow the Board to investigate the allegations. A Director/Regional Committee member suspended will be entitled to receive full basic fees during the period of suspension.
 - (ii) extend the suspension period beyond the initial 6 month period in order to conclude the investigations relating to the suspension.
 - (iii) request repayment of any fees paid to a Director/Regional Committee member during the period of suspension.
- (e) A Director/Regional Committee member removed from office by the Board of Directors is entitled to a right of an appeal against his removal from elected office. The written request for an appeal must

be submitted to the Society Secretary within 21 days. The appeal shall be heard by an independent arbiter to be agreed by both parties. If the parties are unable to agree on a mutually acceptable independent arbiter, the appeal will be heard by an appropriate appeal body such as Cooperatives UK. The decision of the independent arbiter will be final and binding on both parties.

56. Chairman of Meetings

The president of the Society shall, if present, take the chair at any meeting of the Board, or, if there is no president, or if he is not present, the chair shall be taken by the vice-president, or if he is not present the chair shall be taken by such chairman or vice-chairman of a Regional Committee as the meeting may determine, failing all of whom, by such director as the meeting may determine.

57. Meetings and Quorum of the Directors

The Board shall meet and regulate their meetings as they may determine, but shall not proceed to business unless a quorum consisting of seven directors is present the majority of whom shall be non-employee directors.

58. Voting at Meetings of the Directors

Questions arising at any meeting of the Board shall be decided by a majority of votes and in the case of an equality of votes the chairman of the meeting shall have a second or casting vote

59. Special Meetings of the Board

A special meeting of the Board may be called by a notice in writing given to the secretary by not less than one-quarter of the directors for the time being at least one clear day before the meeting to be called. The notice shall state the objects of the meeting and the secretary shall communicate such notice to all directors as soon as possible after the receipt thereof. No business shall be conducted at the meeting other

than the business named in the notice.

60. Board Committees

The Board may delegate any of its powers to committees consisting of such Directors as it thinks fit who shall, in the functions entrusted to them, follow in all respects the instructions given to them by the Board.

The Board shall appoint: -

- (a) an Audit Committee comprising not less than three and not more than seven Directors. Neither the Chair nor any Director who is an employee or a recently retired superannuated employee shall be a member of the Audit Committee;
- (b) a Remuneration Committee;
- (c) a Search Committee;
- (d) a Risk Committee, if the duties are not already performed by the Audit Committee; and
- (e) a General Purposes Committee for matters of a general nature not specifically covered in the remit of the above committees.

61. Validity of Acts of Directors

All acts done by any meeting of the Board or of a committee or by any director acting in pursuance of any authority duly given shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any director, be as valid as if such director had been duly appointed.

62. Remuneration of Directors and Regional Committee Members

The Society shall from time to time fix the remuneration of the directors. Regional Committee members shall be re-imbursed their reasonable travel, hotel and out of pocket expenses wholly and necessarily incurred on Society business at such rates as may be

determined from time to time by the Society.

INDEPENDENT PROFESSIONAL ADVICE

63. Independent Professional Advice

Upon a written requisition handed to the Society's secretary signed by not less than one-third of the total membership of the Board for the time being those directors ("the requisitionists") shall be entitled to take independent professional advice at the Society's expense upon any question or questions relating to the governance of the Society or the conduct of its affairs, in accordance with the following agreed procedure: -

- (a) the requisition need not state the precise question or questions upon which independent professional advice is required, but shall identify the broad area(s) of concern (eg. legal, accountancy, taxation, valuation, employment, trade, etc);
- (b) for the purpose of taking advice the requisitionists shall appoint one of their number to act as the requisitionists clerk, whose identity shall forthwith be notified to the secretary;
- (c) the requisitionists shall be entitled to production and copies of any documents and information which they may reasonably require and may call upon the Society's secretary for any necessary assistance in preparing their case and in seeking and obtaining advice;
- (d) before any professional fees are incurred by the requisitionists a written estimate or quotation in respect of the anticipated expense thereof shall be submitted for the approval of the Society's secretary who shall forthwith give his written approval to same or if he thinks fit may refer same to the Board for approval. In either case such approval shall not be unreasonably withheld or delayed, and any question or dispute as to the grant or refusal of such approval shall forthwith be referred by the Board to the Co-operative Union Limited whose decision shall be binding and conclusive;

- (e) a complete copy of any written advice or opinion obtained by the requisitionists shall be passed to the Society's secretary who shall make same available for inspection (if required) by the remainder of the Board.

The above procedure must not be used as a means of causing unreasonable delay in the implementation of any Board resolution or resolutions relating to the matter in question.

INDEMNITY

64. Indemnity

Without prejudice to any indemnity to which a director may be entitled at common law or otherwise, every director or other officer of the Society shall be indemnified out of the funds and assets of the Society against all actions, claims, costs, demands and expenses and any personal liability whatsoever whether civil or criminal arising out of or in connection with the exercise or purported exercise of his duties as a director or officer of the Society but excluding liability incurred under Section 62 of the Industrial and Provident Societies Act 1965 or for wilful default, fraud or dishonesty, provided that any officer who has given security under Section 41 of the said Act shall not be indemnified for and to the extent of any sum of money due under such security and further provided that no person shall be indemnified against costs or expenses recovered from him by order of the Registrar. For the purposes of this paragraph of this rule, any reference to a Section of an Act includes reference to any legislation replacing or amending the same.

The Society is hereby authorised to purchase and maintain insurance for the purpose of –

- (a) Indemnifying the directors and officers for the time being of the Society against any liability which by virtue of any rule of law would otherwise attach to them or any of them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Society; and
- (b) indemnifying the Society itself as reimbursement for

indemnity actually and lawfully provided to its directors and officers pursuant to the first paragraph of this rule.

COMPLAINTS AND SUGGESTIONS

65. Complaints and Suggestions

If any member has a complaint to make relative to the qualities or prices charged for goods or services supplied by the Society, such complaint shall, in the first place, be made to the person in charge of the shop or department where the goods or services were supplied or, failing redress, to the chief executive and finally, if no satisfaction has been obtained, in writing to the Board. Any such complaint not settled to the satisfaction of the parties complaining shall be referred to the next ordinary meeting of the members, whose decision shall be final. Any complaint against any employees of the Society shall be made, in the first place, to the chief executive and, if no satisfaction has been obtained, in writing to the Board, whose decision shall be final.

Any member may likewise send to the Board, in writing, any suggestions for carrying into better effect the objects of the Society.

MINUTES

66. Minutes

The Board shall cause minutes of all meetings of the Society or of the Board to be kept and entered in books kept for that purpose and the minutes of every meeting of the Society, and of every meeting of the Board, shall be read at the next ordinary meeting or meeting of the Board respectively, and signed by the chairman of the meeting at which they are so read.

All minutes so signed shall, in the absence of evidence to the contrary, be taken as between the Society and every member thereof to be a true statement of any matter therein contained.

NOTICE

67. How Notice May Be Given

A notice required to be given by the Society to any member under these rules (other than a notice convening a meeting) or under the Act or otherwise shall be given by sending it by post to the member at his address in the register of members or by leaving it thereat. A notice sent by post shall be deemed to be served by properly addressing, prepaying, and posting a letter containing the notice and be deemed to have been served in the ordinary course of post.

AUDIT

68. Auditor

- (a) Where necessary in law, or where the membership require there shall be appointed in each year of account a qualified auditor to audit the Society's accounts and balance sheet for that year. In this rule "qualified auditor" means a person who is a qualified auditor under Section 7 of the Friendly and Industrial and Provident Societies Act, 1968 as amended by the Companies Act 1989 (Eligibility for Appointment as Company Auditor) (Consequential Amendments) Regulations 1991.
- (b) None of the following persons shall be appointed as auditor of the Society –
 - (i) an officer or employee of the Society;
 - (ii) a person who is a partner of or in the employment of or who employs an officer or employee of the Society.
- (c) Save as provided in Clause (d) of this rule every appointment of an auditor shall be made by resolution of a members' meeting of the Society.
- (d) The Board may appoint an auditor to fill any casual vacancy occurring between meetings of members of the Society.
- (e) An auditor appointed to audit the accounts and balance sheet of the Society for the preceding year of account (whether by a members' meeting or by the Board) shall be reappointed as auditor

of the Society for the current year of account (whether or not any resolution expressly reappointing him has been passed) unless -

- (i) a resolution has been passed at a members' meeting of the Society appointing somebody instead of him or providing expressly that he shall not be reappointed, or
- (ii) he has given to the Society notice in writing of his unwillingness to be reappointed
- (iii) he is not a qualified auditor or is a person mentioned in Clause (b) of this rule, or
- (iv) he has ceased to act as auditor of the Society by reason of incapacity.

Provided that a retiring auditor shall not be automatically reappointed if notice of an intended resolution to appoint another person in his place has been given in accordance with Clause (f) of this rule and the resolution cannot be proceeded with because of the death or incapacity of that other person or because that other person is not a qualified auditor or is a person mentioned in Clause (b) of this rule.

- (f) A resolution at a members meeting of the Society -
 - (i) appointing another person as auditor in place of a retiring auditor, or
 - (ii) providing expressly that a retiring auditor shall not be reappointed

shall not be effective unless notice of the intention to move it has been given to the Society not less than 28 days before the meeting at which it is to be moved. On receipt by the Society of notice of such an intended resolution the Society shall forthwith send a copy of the notice to the retiring auditor. If it is practicable to do so the Society shall give notice to its members of the intended resolution at the same time and in the same manner as it gives notice in accordance with these rules of the meeting at which the resolution is to be moved or, if that is not practicable, by advertisement not less than 14 clear days before the said meeting

in a newspaper circulating in the area in which the Society conducts its business. Where the retiring auditor makes any representations in writing to the Society with respect to the intended resolution or notifies the Society that he intends to make such representations the Society shall notify the members accordingly as required by Section 6 of the Friendly and Industrial and Provident Societies Act, 1968.

The auditor shall in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act, 1968, make a report to the Society on the accounts examined by him and on the revenue account or accounts and the balance sheet of the Society for the year of account in respect of which he is appointed.

- (g) The Board shall cause the accounts of the Society to be submitted at least once in every year to the auditor for audit.
- (h) For the purposes of any audit the auditor shall be given access to and be entitled to call for and examine all books, deeds, documents, and accounts of the Society. He shall be entitled to require from the officers of the Society such information and explanations as he thinks necessary for the performance of his duties. The auditor shall be entitled to attend any ordinary meeting of the Society, to receive all notices of and other communications relating to any ordinary meeting which any member of the Society is entitled to receive, and to be heard at any meeting which he attends on any part of the business of the meeting which concerns him as auditor.
- (i) The members at the annual meeting shall determine the remuneration of the auditor.

ACCOUNTS

69. Books of Account

The Board shall cause to be kept proper books of account with respect to the transactions of the Society, its assets and liabilities, and establish and maintain a satisfactory system of control of its books of account, its cash holdings and all its receipts and remittances in accordance with

Sections 1 and 2 of the Friendly and Industrial and Provident Societies Act, 1968.

70. Accounts to be laid before Meetings

The Board shall in respect of each year of account -

- (a) cause to be prepared a revenue account or revenue accounts which singly or together deal with the affairs of the Society as a whole for that year and which give a true and fair view of the income and expenditure of the Society for that year; and
- (b) cause to be prepared a balance sheet giving a true and fair view as at the date thereof of the state of the affairs of the Society.

The Board shall have power to prepare in addition a revenue account or revenue accounts for less than one year of account and a balance sheet at the end of the period covered by such revenue account or revenue accounts.

Every balance sheet presented to a meeting of members shall be accompanied by a report of the Board, on the state of the Society's affairs. Such report shall contain details of any compensation payments for loss of office made to the chief executive or to any other senior executive or any member of the Board, and be signed by the chairman of the meeting of the Board adopting the report.

In the preparation of accounts the Board shall ensure that the Society adopts and conforms strictly to the accounting standards recommended from time to time by the Co-operative Accounting Standards Committee of the Co-operatives UK Limited. If the Society does not observe the recommended Co-operative Accounting Standards for the time being then this fact shall be reported clearly to the members in the Society's annual report.

71. Publication of Accounts and Balance Sheets

The Board shall not cause to be published any revenue account or balance sheet nor any interim revenue account or balance sheet unless it has previously been audited by the auditor and it incorporates a report by the auditor stating whether in his opinion it gives a true and fair

view of the income and expenditure, and of the state of the affairs of the Society. Every revenue account and balance sheet published shall be signed by the secretary and by two directors acting on behalf of the Board.

72. Copy of Balance Sheet to be sent to the Financial Services Authority

A copy of each balance sheet made during the period included in any annual return shall be sent by the secretary to the Financial Services Authority together with the annual return and such copy shall incorporate the report made thereon by the auditor.

73. Copy of Balance Sheet to be displayed

The Society shall keep a copy of the last balance sheet for the time being, together with the report of the auditor, always displayed in a conspicuous place at its registered office.

ANNUAL RETURN

74. Annual Return to be sent to the Financial Services Authority

The Society shall within the time allowed by legislation in each year send to the Registrar a general statement in the prescribed form, called the annual return, relating to its affairs during the period covered by the return, together with a copy of the report of the auditor on the Society's financial statements for the period included in the return and a copy of each revenue account and balance sheet made during that period and of any report of the auditor on that balance sheet.

75. Requirements of Annual Return

The annual return shall-

- (a) Contain the revenue account or accounts of the Society prepared in accordance with Section 3(2) of the Friendly and Industrial and Provident Societies Act 1968 in respect of the year of account to which the return relates, and a balance sheet as at the end of that

year;

- (b) not contain any accounts other than the revenue account or accounts for that year unless those other accounts have been examined by the Society's auditor under Section 9 of the Friendly and Industrial and Provident Societies Act 1968;

- (c) be made up for the period beginning with the date of the Society's registration under the Act or with the date to which the Society's last annual return was made up, whichever is the later, and ending -

- (i) with the date of the last balance sheet published by the society before "the appropriate date" (meaning 31st March of the year in which that return is required to be sent to the Financial Services Authority or the date on which that return is so sent, whichever is the earlier),

or

- (ii) if the date of that balance sheet is earlier than 31st August immediately preceding the appropriate date or later than 31st January of the year in which the appropriate date falls, with 31st December immediately preceding the appropriate date.

COPIES OF ANNUAL RETURN AND OF RULES AND INSPECTION OF ACCOUNT

76. Copies of Annual Return and Rules

The secretary shall supply -

- (a) gratuitously on application a copy of the last annual return for the time being of the Society to every member or person interested in the funds; and
- (b) on payment of such amount as may be prescribed in the law applicable to Industrial & Provident Societies for the time being in force to any person applying therefore a copy of the rules.

In supplying a copy of an annual return as aforesaid the Society shall also supply a copy of the report of the auditor on the accounts and balance sheet contained in the return.

77. Inspection of Books

Any member or person having an interest in the funds of the Society may inspect his own account and the books containing the names of members, including the particulars mentioned in Clauses (a), (d) and (e) of Rule 14, entered in the register of members, at all reasonable hours at the registered office or at any place where the same are kept, subject to such regulations as to the time and manner of such inspection as may be made from time to time by the ordinary meetings of the Society.

DEPRECIATION

78. Depreciation

The value of buildings, fixtures, fittings, machinery and plant, and rolling stock of the Society shall be reduced from time to time at such rate as may be in accordance with standard accounting practice.

APPLICATION OF PROFITS

79. Application of Profits

The net profits of all business carried on by or on account of the Society shall be applied as follows:

- (a) in paying interest upon the paid up share capital at such rate, not exceeding a rate equivalent to 1 per cent above the base lending rate of The Royal Bank of Scotland plc or such other bank as may act as the principal bankers to the Society, or 5 per cent per annum whichever is the higher, as the Board may from time to time determine.

In the event of The Royal Bank of Scotland plc or such other bank as may act as principal bankers to the Society, ceasing to publish a base lending rate then there shall be substituted therefore such

other rate of interest as is as nearly equivalent thereto as possible;

- (b) in setting aside to the reserve fund such amounts, if any, as the Board may determine;
- (c) in setting aside to the Members' Relations Fund such an amount of the net profits as the Board may from time to time determine for the purpose of promoting education, culture or recreation;
- (d) in paying, while the Society continues to be a member of the Co-operative Party, such subscriptions to the funds of the Party as the rules and orders of the Party may from time to time determine;
- (e) in paying out of the balance of the profits remaining after application as aforesaid such dividend upon the value of the purchases made from the Society as an ordinary meeting may declare to persons who were members of the Society at the time of such declaration and, where an ordinary meeting so determines, to any other persons.
- (f) in paying the cost of such shares as the Board shall decide to issue under the terms of any Employee Share Scheme under Rule 19,

Provided that:

- (i) the Board may determine that no dividend or that reduced rates of dividend shall be paid in respect of such purchases as it specifies from time to time, such power of determination shall extend to the specification of goods or services and/or to the places or areas in which goods are sold or services provided by the Society;
- (ii) no dividend shall exceed the amount recommended by the Board;
- (iii) the Board may from time to time pay such interim dividend as appears to them to be justified by the profits of the Society and purchases on which an interim dividend has been paid shall not rank for dividend in the final distribution of profits in any one year;
- (iv) any amount payable in respect of a dividend which is not

withdrawn by a member within one calendar month after it has become payable may be applied towards the payment of any amount unpaid on the member's shares or the allocation of further shares;

- (g) in making payments for any lawful purpose whatsoever whether within the objects for which the Society is formed or not provided that no distribution of profits aforesaid to the members shall be made except as is expressly provided for in this rule.

Any of the aforesaid profits not required for application as aforesaid shall be carried forward.

80. Application of General Reserve Fund

The General Reserve Fund shall be applied in meeting any contingency affecting the business of the Society as the directors may recommend and as a meeting of the Society may by resolution determine, provided that the moving of such resolution was specified as business of the meeting in the notice convening the meeting.

SEAL

81. Custody and Use of Seal

The Society shall have its name engraven in legible characters upon a seal, which shall be kept in the custody of the secretary and shall be used only under the authority of a resolution of the directors. Every instrument to which the seal is attached and shall be attested by the signatures of two directors and of the secretary or in the place of the secretary, an official of the Society authorised by the Board of Directors.

DISPUTES

82. Determination of Disputes

Any dispute arising between a member or any person aggrieved who

has for not more than 6 calendar months ceased to be a member, or any person claiming through such member or person aggrieved, or under these rules, and the Society, or an officer thereof shall be decided by the three arbitrators to be chosen for this purpose as is hereinafter mentioned and any decision made by such arbitrators shall be binding and conclusive on all parties without appeal and application for the enforcement of such a decision may be made to the Sheriff's Court.

83. Appointment of Arbitrators

The Society in meeting shall appoint five arbitrators, not being persons directly or indirectly interested in the funds of the Society, and in the event of any dispute arising as aforesaid the three arbitrators to be chosen to decide the dispute shall be those persons whose names are drawn by lot from amongst the names of the five arbitrators aforesaid by the complaining party to the dispute or, if there is more than one such party in any dispute, by that party whose name comes first in alphabetical order. If there are less than three arbitrators appointed as aforesaid the Co-operatives UK Limited shall if requested, appoint the three arbitrators for determination of a dispute.

84. Vacancies

Any vacancy in the number of arbitrators shall be filled by the first ordinary meeting after it has occurred, or if not so filled by the Board.

85. Cost of Arbitration

The cost of any arbitration shall be borne as the arbitrators may direct and any complaining party shall deposit the sum of £100 with the Society by way of security for costs.

86. Copies of Arbitrators' Award

A copy of the arbitrators' award shall be sent by the arbitrators to every party to a dispute.

EXPULSION

87. How a Member may be Expelled

A member may be expelled for conduct detrimental to the Society by a resolution passed at any meeting of the Board, provided that notice of the conduct alleged against him is given to him at least one calendar month before the aforesaid meeting and he is given an opportunity thereat to answer the allegations made against him.

A member aggrieved by a Board resolution for his expulsion may appeal to a special meeting of the Society which may confirm or revoke his expulsion. Such an appeal shall be commenced by sending to the secretary within 14 days of the date of the Board resolution a written notice of appeal including a statement of the grounds of the appeal, whereupon a special meeting of the Society for the hearing of the appeal shall be convened by the secretary upon an order of the Board to be held at the Society's expense not later than 3 calendar months from the receipt of the notice of appeal by the secretary. Subject as aforesaid the procedure for determining the appeal shall be as the Board may direct.

No person shall be admitted or re-admitted to membership of the Society who has ever been expelled from membership of the Society pursuant to this rule.

88. Payment of Expelled Member

A member so expelled shall be paid the full sum paid or credited on any shares in the Society held by him at the date of the resolution for his expulsion and his shares shall be cancelled.

TRANSITIONAL ARRANGEMENTS

89. Transitional Arrangements

Until such time that the Board recommend to Members that the North Regional Committee shall be considered fully operational the following transitional arrangements shall apply:

(a) Area and Member Relations Committees

The Area and Member Relations Committees shall continue to operate for a maximum transitional period of 7 months from the date of registration of this rule or until such time as the Board shall determine that the Regional Committees have been formed and the Area and Member Relations Committee shall cease to exist. In this transitional period these committees will continue operate using the procedures and custom and practice in place prior to registration of this rule and in the event of any conflict between the amended new rules and the existing operating practices the Board will have the power to determine which rule/practice will prevail.

(b) Regional Committees

Members of the Area Committees and the Member Relations Committees in office at the time when the Regional Committees are formed shall become the first members of the Regional Committees. These members of the Regional Committees initial term of office will be determined by the Board based on their existing term of office.

If the initial membership of the Regional Committees is more than 12, the Board may allow additional members for a maximum transitional period of three years. The Board will determine the method by which the Regional Committees are reduced to a maximum of 12.

The North Regional Committee shall initially comprise a maximum of 3 members. The Board shall have the power to increase the size of the North Regional Committee in line with the development of membership in that Region. As a transitional arrangement the North Regional Committee will operate as part of East Regional Committee.

Nominations for office shall be accepted at the Ordinary General Meeting of the combined East/ North Regional Committee. Regional Committee members shall be elected by the membership of the combined Annual General Meeting of the East/North Regional Committee.

The Board shall determine when it is appropriate to hold separate Regional Committee elections for the North Region.

(c) Board of Directors

Members of the Board in office at the time when these rules are registered shall remain in office until their existing term of office expires. Any Board members that had their term of office extended pending completion of the Constitutional Review will have their next term of office determined by the Board.

In the transitional period prior to disbandment of the Area Committees, the Board will have the power to request the Area Committees to appoint Directors to fill casual vacancies within the maximum numbers stated in Rule 51.1A.

Elections to the Board shall be by the members voting at Regional Meetings. From the combined East/North Region, a maximum of six directors shall be elected to represent the East and one director shall be elected to represent the North Region. A maximum of five directors shall be elected by the membership of the West Region. The Board shall determine when it is appropriate to hold separate Board elections for the North Region.

(d) Qualifying criteria

Past service as an elected member of an Area Committee or the Member Relations Committee will count as service on a Regional Committee for the purposes of Rule 54.

For the initial members of the Regional Committees who previously served on an Area Committees or the Member Relations Committee the tests in Rule 54 relating to qualifying purchases will not be applied before the first anniversary of formation of the Regional Committees.

ALTERATION OF RULES

90. Majority Requisite to make Alterations

Any of these rules may be rescinded or altered, or any new rule may be made, by a resolution passed at the annual meeting or at a special meeting of the Society by two-thirds of the members present and voting.

Provided always that this rule and Rules 40, 44 and 93 may only be rescinded or altered by a resolution passed at a special meeting of the Society at which 95% of the total votes cast have been cast in favour of such resolution.

91. Registration of Alterations

No amendment of rules is valid until registered. When submitting rule amendments for registration the secretary may at his sole discretion accept any alterations required or suggested by the Financial Services Authority without reference back to a further special meeting of the Society.

AMALGAMATION, TRANSFER OF ENGAGEMENTS, CONVERSION INTO A COMPANY AND DISSOLUTION

92. Amalgamation, Transfer of Engagements and Conversion

- (a) The Society may, by special resolution passed in manner prescribed by the Act, amalgamate with or transfer its engagements to any other society or company, or convert itself into a company under the Companies Acts. The Society may also accept a transfer of engagements and assets by resolution of the Board or of a meeting of members.

- (b) For the purposes of this Rule the term "transaction" shall refer to a transaction with a third party organisation comprising a takeover, amalgamation, transfer of engagements or transaction of like effect whereby the Society ceases to exist independently of or is under the control of the said third party organisation. Where a third party organisation instigates an approach which may include entering into detailed discussions with any member of the Board before a Board resolution in support of the transaction is approved this is referred to as an "unsolicited transaction".
- (c) No Elected representative or Director of the Society shall be entitled to receive in connection with, or as a consequence of, any unsolicited transaction a payment, in cash or in kind, by way of compensation for loss of office or otherwise, however described, from the Society, the third party organisation with whom the unsolicited transaction takes place, or from any other person or organisation.
- (d) Unless a transaction receives unanimous approval from the Board, no Elected representative or Director of the Society shall be entitled to receive in connection with, or as a consequence of, any transaction a payment, in cash or in kind, by way of compensation for loss of office or otherwise, however described, from the Society, the third party organisation with whom the transaction takes place, or from any other person or organisation.
- (e) Each member of the Board shall execute a Binding Undertaking in a format approved by the Board acknowledging that the member of the Board will not seek or receive any payment in breach of Rules 92(c) or 92(d) and any person who fails to execute such an undertaking when required to do so by the Secretary shall immediately cease to be a director on receipt of notification to that effect from the Secretary.
- (f) The right enforce any Binding Undertaking granted in terms of Rule 92(e) shall vest in the Society, and if the Society fails or delays in so enforcing the undertaking, Co-operatives UK Limited or any member on the share register immediately prior to the transaction taking place may do so in the name of the Society and any sums recovered shall go, after the expenses of such action have been paid, to a charity operating in the primary trading area of the Society as may be chosen by the Society, Co-operatives UK Limited or relevant member of the Society as the case may be.

93. Dissolution

The Society may be dissolved:

- (a) by winding up in manner provided by the Industrial and Provident Societies Act, 1965;
- (b) by an instrument of dissolution signed by three-fourths of the members for the time being, in the form prescribed by the Treasury Regulations.

If on the solvent dissolution or winding-up of the Society there remain after the satisfaction of all its debts and liabilities and the repayment of the paid-up share capital any assets whatsoever, such assets shall not be paid to or distributed among the members of the Society but shall be: -

- (i) transferred to one or more other societies in membership of the Co-operative Union Limited having the same or similar rule provisions as regards surplus distribution as this rule, as may be determined by the members at an ordinary or special meeting; or
- (ii) transferred to such charity or charities established and maintained for the benefit of the community in the trading area of the Society at the time of any such dissolution or winding up as the Board shall determine; or
- (iii) if not so transferred shall be paid or transferred to the Co-operative's UK Limited.

Edward Carson

Susan Jardine

Three members

R Colin Scott

John Dalley

Secretary

