

SCOTMID



Interim **Report**

For year ending 27 January 2007

Contents

Directors, Officers & Advisors	1
Directors' Report.....	2-3
Interim Statement of Group Trading Activities	4
Notes to the Interim Statement.....	4
Notice of Meetings and Agenda of Business	5
Synopsis of Previous Meeting.....	6-7
Standing Orders for Ordinary and Special Meetings.....	8
Area Committees and Member Relations Committee	9

Directors, Officers & Advisors

President	Mr H Smallman (10)	G (1), R (1) & S (2)
Vice President	Mr D Moon (10)	A (2), G (1) & Re (3)
Minute Secretary	Mr J Anderson (10)	A (2)

Directors

Mr I Bailey (9) S (2), Mr R Brown (8) S (2), Mr H Cairney (10) Re (2), Mr J Gilchrist (10) Re (3), Mr J Hill (8) R (0), Mrs M Hume (10) R (1), Mr D Jamieson (9) R (1), Mrs C Kerr (7) G (0) & S (2), Mr J Middleton (10) Re (3), Mr D Paterson (8) S (2), Mr J Watson (10) A (2) & G (1), Miss A Williamson (9) A (2) & G (1)

10 Board meetings held. The figure after each name indicates the number of Board meetings attended. The following letters and figures denote the relevant Committee meetings and number attended.

Board Committees

A	Audit Committee	2 meetings held
G	General Purposes Committee	1 meeting held
R	Risk Committee	1 meeting held
Re	Remuneration Committee	3 meetings held
S	Search Committee	2 meetings held

Management Executive

Chief Executive Officer	John Brodie
Head of Corporate Communications	Malcolm Brown
Chief Financial Officer & Secretary	John Dalley
Head of Property & Development Services	Adrian Lorimer
Chief Operating Officer	Colin McLean
Head of MST	Alan Thomson

Advisors and Registered Office

Auditors	Deloitte and Touche LLP
Bankers	Royal Bank of Scotland plc
Solicitors	Anderson Strathern WS
Registered Office	Hillwood House, 2 Harvest Drive, Newbridge, EH28 8QJ

Directors' Report

Progress has been made in the first 28 weeks of this financial year especially after the difficult times faced by the Society over recent years. It is encouraging to report an improvement on last year, as many of our actions will not bring benefit until later in the year or next year.

The Food business has been key in improving our overall performance. However, despite the improvement in Food turnover, overall Society turnover fell by £1.4m primarily due to a significant reduction in sales at M & S Toiletries.

The Society continues to benefit from a strong net asset base in excess of £83m. The sale of our former Head Office in Fountainbridge and improved stock management have been major factors in the reduction in net debt by £10.9m in the first half of the year.

Continuous improvement is the key phrase within the Society and we are determined to build on our improving financial position with everyone well aware of the challenges and hard work that lies ahead.

Food

The period of consolidation and business improvement continues with the main focus on driving profitable sales growth. The business is clearly focused on being a successful local, convenience retailer within its many and varied communities. This has resulted in an encouraging start to the first half of the year.

The Regional Management Team has been restructured with store teams making our 'Back to Basics' campaign a priority ensuring that we address consistency of standards across the entire store portfolio. This campaign includes a renewed focus on stock management, which will assist us in improving levels of product availability especially on key purchases.

The major efforts to take the business forward have been recognised in the Food business with the award of 'Best Convenience Store' by customers in the Convenience Store tracking programme and by Newtongrange store winning 'Confectionary Retailer of the Year' in the Scottish Grocer Awards.

Semi Chem

After several years of decline within a tough trading environment sales in the first half of the year have stabilised.

Significant improvements have been made in the supply chain leading to increased operational efficiency. As in the Food Division the focus is now on a 'Back to Basics' campaign to address consistency of standards across the entire store portfolio. A major campaign to clear out significant quantities of aged stock was completed facilitating a range reduction and improved stock management.

We are now also seeing the shape of things to come for Semi Chem with new trial formats in a small number of stores. These new formats have been well received and successful elements of the trial stores are now being rolled out to a number of other stores.

Directors' Report

Continued

M & S Toiletries

The benefits of cost control measures were realised in the first half of the year however, these have been offset by a loss of sales to a major customer. The rest of the business is stable and sales are in line with last year despite difficult high street conditions. A new buying team is in place at Wakefield and we are confident that this will bring improvements in a number of areas including service benefits.

Funeral

The decrease in the death rate in Scotland has continued to impact on trading results however, after a disappointing start to the year the Department is showing an improving performance. The new premises in Fountainbridge retain our long and strong connection with that area of Edinburgh. The business continues to evolve to meet the demands of our multi-site operation.

Property and Development

Property continues to turn in a good performance through a programme of development and selected disposals. Key highlights of the last few months were the pre-let to Argos in Montrose and letting of units at South Queensferry. Work continues to progress well in our Joint Venture at our former Head Office at 92 Fountainbridge and this is due to complete in October next year.

In line with our strategy to reduce debt and re-invest in the retail business a programme of disposal of non-core properties has commenced and will continue into 2007.

Appreciation

The Directors would like to thank our members, customers and staff for their ongoing support, understanding and patience whilst we continue the restructuring of the business.

Interim Statement of Group Trading Activities

	28 weeks to 12 August 2006 unaudited £'000	28 weeks to 13 August 2005 unaudited £'000
Turnover		
Total turnover	<u>193,674</u>	<u>195,083</u>
Profit		
Trading profit before exceptionals	1,122	1,002
Exceptional items	<u>432</u>	<u>(820)</u>
Profit before interest	1,554	182
Net interest payable	<u>(1,832)</u>	<u>(1,893)</u>
Loss before distributions	(278)	(1,711)
Share interest	(99)	(103)
Grants and donations	<u>(85)</u>	<u>(155)</u>
Loss before taxation	<u>(462)</u>	<u>(1,969)</u>
Net Assets		
Fixed assets	141,836	155,149
Net current liabilities	(9,968)	(8,352)
Long term liabilities	(36,418)	(41,622)
Provisions for liabilities and charges	(2,519)	(3,345)
Pension fund liability	<u>(9,857)</u>	<u>(6,653)</u>
Net assets	<u>83,074</u>	<u>95,177</u>
Cash Flow		
Inflow from operating activities	5,160	9,060
Net interest paid	(1,933)	(2,151)
Corporation tax receipt/(payment)	946	(936)
Sale/(purchase) of investments	215	(201)
Capital expenditure	(2,065)	(8,574)
Proceeds from sale of fixed assets	8,455	2,154
Increase in members' share capital	<u>90</u>	<u>131</u>
Decrease/(increase) in net debt	<u>10,868</u>	<u>(517)</u>
Net Debt		
Opening net debt	(54,842)	(47,095)
Decrease/(increase) in period	<u>10,868</u>	<u>(517)</u>
Closing net debt	<u>(43,974)</u>	<u>(47,612)</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 28 January 2006 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 Meetings and Agenda of Business

Notice is hereby given that an Ordinary General Meeting of the Society will be held on Monday, 2 October 2006 at 7pm at the following places.

The Roxburghe Hotel, Charlotte Square, Edinburgh and The Kaim Park Swallow Hotel, Edinburgh Road, Bathgate.

Agenda of business

1. Synopsis of Minutes of Annual General Meetings held on 8 May 2006.
2. Obituary References.
3. Directors' Report/Interim Accounts.
4. Appointment of Tellers.
5. Nominations for Area Committees
East Area 4 Members to serve for 3 years
North Area 1 Member to serve for 3 years
West Area 5 Members to serve for 3 years, 1 Member to serve for 2 years
6. Nominations for Member Relations Committee
East Area 2 Members to serve for 3 years
North Area 2 Members to serve for 3 years
West Area 2 Members to serve for 3 years
7. Member Relations Committee Report.
8. Society Co-operative Party Council Report.
9. General business.

Admission to general meeting

Members will be admitted to the General Meeting by presenting their Share Books showing the minimum qualification of £1.00 shareholding deposited prior to 28 January 2006.

The next General Meeting (Annual General Meeting) will be held on Monday, 7 May 2007 at Edinburgh and Motherwell.

Special Meeting

Notice is hereby given that at the conclusion of the Ordinary General Meeting of Members, a Special Meeting of Members will be held to consider and if thought fit adopt a new consolidated rule book. The proposed new rule book is a consolidation of previous rule changes adopted by the membership and does not include any new rule changes.

Synopsis of Previous Meeting

The Annual General Meeting of Members of Scottish Midland Co-operative Society Limited was held in the Roxburghe Hotel, George Street, Edinburgh, and The Kaim Park Swallow Hotel, Edinburgh Road, Bathgate on Monday, 8 May 2006 at 7pm.

Mr Hollis Smallman, President of the Society, presiding at Edinburgh.

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

1. Synopsis of Minutes of Ordinary General Meeting held on 3 October 2005 was submitted and adopted.
2. Synopsis of Minutes of Special Meeting held on 13 March 2006 was submitted and adopted.
3. Sympathetic reference was made to the passing of Superannuated Employees.
4. The Directors' Report/Annual Accounts was read and accepted.
5. The following Tellers were appointed
East Area Mrs Swift and Mr Hop
West Area Mrs Moon and Mr Brown
6. Elections for Area Committees
East Area
5 Members to serve for 3 years
Mrs G Dow, 60 Elder Street, Tranent; Mr J Miller, 30 Loanburn Avenue, Penicuik;
Mr F Murphy, 27 Allan Park Drive, Edinburgh; Mr H Smallman, 39 Allan Park, Kirkliston;
Mrs G Smallman, 39 Allan Park, Kirkliston.
North Area
2 Members to serve for 3 years
Mr J Anderson, 'Dungeith', 1 Panmure Place, Montrose; Mrs M Smith, 66 Provost Buchan Road, Brechin.
West Area
4 Members to serve for 3 years
Mr D Moon, 22 Morar Street, Wishaw; Ms A Milne, 91 Thomson Grove, Uphall;
Mrs M Ross, 2 McNeil Crescent, Armadale; Mr M Ross, 15 Marius Crescent, Motherwell.
7. Elections for Member Relations Committee
East Area
2 Members to serve for 3 years
Mr J MacKenzie, 57 Dalmeny Street, Edinburgh; Mr D Hop, 59/3 Stenhouse Gardens, Edinburgh
In addition Mr D Reid was nominated and the Chairman advised that the nomination would require to be agreed by the Board. Mr D Reid was subsequently elected.
North Area
2 Members to serve for 3 years
There were no nominations.
West Area
2 Members to serve for 3 years
Mrs M Moon, 22 Morar Street, Wishaw
There were no other nominations.
8. Nomination and election of Members' Delegates to Scottish Co-operative Party Annual Conference, October 2006
East Area 1 delegate
Mr J MacKenzie, 57 Dalmeny Street, Edinburgh
West Area 1 delegate
Mr D Moon, 34 Anderson Court, Wishaw

Synopsis of Previous Meeting

Continued

9. Synopses of Minutes of Board Meetings were accepted.
10. Agreed to the status quo of remuneration for Office Bearers, Directors and Committee Members as recommended by the Board of Directors.
11. Agreed to the status quo of fees for Directors' and Committee Members' Delegations as recommended by the Board of Directors.
12. Agreed to give authority to Board of Directors to decide remuneration for Auditors.
13. Member Relations Committee Report was submitted and noted.
14. Society Co-operative Party Council Report was submitted and noted.
15. Report by Members' Delegates on attendance at Co-operative Group Half Yearly Meeting, 22 October 2005 was submitted and noted.
16. Reports by Members' Delegates on attendance at Co-operative Party Conference 9 -11 September 2005 were submitted and noted.
17. Questions were raised and satisfactorily answered on the night or followed up thereafter.

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

Area Committees and Member Relations Committee

Area Committees

East

Miss A Williamson (Chairwoman) (7)
*Mrs C Kerr (Vice Chairwoman) (7)
Mr J Anderson (Minute Secretary) (7)
Mr D Jamieson (Treasurer) (7)
*Mr R Brown (6)
Mr H Cairney (4)
Mrs G Dow (7)
*Mr J Hill (6)
Mr S Kerr (7)
Mr J Miller (7)
Mr F Murphy (7)
*Mr D Paterson (7)
Mrs J Reid (7)
Mrs G Smallman (7)
Mr H Smallman (7)
Mrs M Smith (6)
*Mrs A Anderson (5)

7 meetings held

West

Mr D Moon (Chairman) (7)
*Mr J Watson (Vice Chairman) (7)
*Mr T McKnight (Minute Secretary) (7)
Mr J Gilchrist (Treasurer) (7)
Mr I Bailey (7)
Mr P Devenney (7)
Mr A Dewson (resigned March 2006) (1)
Mrs M Hume (7)
*Mr R Kelt (7)
Mrs T McEleney (6)
*Mr David McGrouther (6)
*Mr J Middleton (5)
Ms A Milne (elected May 2006) (4)
*Mr D Muirhead (6)
Mr M Ross (6)
Mrs M Ross (6)

7 meetings held

Member Relations Committee

*Mrs H Anderson (6)
#Mrs I Dickson (6)
Mr J MacKenzie (7)
Mrs M Moon (3)
*Mrs M Scott (6)
Mrs B Swift (3)
Mr D Hop (co-opted October 2005/ elected May 2006) (6)
Mr D Reid (elected May 2006) (3)

Co-opted Observers

Mr J Middleton (co-opted May 2006) (3)
Mr S Kerr (6)
Mrs J Reid (7)

7 meetings held

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

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

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 **Morning Noon & Night**

SCOTMID

PROPERTY

