

# interim report

for year ending 26 January 2008



**SCOTMID** co-operative

# Directors, Officers & Advisors

<b>President</b> .....	Mr H Smallman
<b>Vice President</b> .....	Mr D Moon
<b>Minute Secretary</b> .....	Mr J Anderson

## Directors

Mr I Bailey, Mr R Brown, Mr H Cairney, Mr J Gilchrist, Mr J Hill, Mrs M Hume, Mr D Jamieson, Mrs C Kerr, Mr J Middleton, Mr D Paterson, Mr J Watson, Miss A Williamson.

## Management Executive

<b>Chief Executive Officer</b> .....	John Brodie
<b>Head of Corporate Communications</b> .....	Malcolm Brown
<b>Chief Financial Officer &amp; Secretary</b> .....	John Dalley
<b>Head of Property &amp; Development Services</b> .....	Adrian Lorimer
<b>Chief Operating Officer</b> .....	Colin McLean
<b>Head of M &amp; S Toiletries</b> .....	Alan Thomson

## Advisors and Registered Office

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

# Directors' Report



Society President Hollis Smallman and Chief Executive John Brodie at the launch of the new membership strategy.

## Overview

In the first 28 weeks of the financial year the Society continued to build on the progress made last year. Operating Profit has improved significantly to £2.8m compared to £1.1m for the same 28 weeks in the previous year. This improvement has been driven by strong progress in our retail businesses despite a number of adverse general market factors such as the poor summer weather.

The Food business has been key in driving the Society's turnover growth of £3.5m. In addition Semi Chem has enjoyed significant improvement in operating margins through a focus on buying and ranging.

The Society also continues to develop its strong asset base. With net assets now in excess of £93m compared to £83m at the same time last year we have continued to drive value through focussed development of our property assets.

Continuous improvement remains the key phrase within the Society. We recognise that we still have a long way to go and we are determined to continue to strengthen our financial position. The next stage of development sees us move to a focus on "raising the bar" to build on the "back to basics" approach adopted over the last 18 months.

The Society also launched its membership strategy with a pilot scheme in 12 stores. Initial results are very encouraging, with a sharp increase in the number of new members joining the Society.

# Directors' Report



## Food

The business continues to make progress in becoming a leading community convenience retailer in Scotland. The start to the first half of the year was particularly encouraging given the poor summer weather.

Sales growth in the existing estate has been underpinned by improved product ranges, a focus on availability of key lines and improvements in promotional execution and implementation. Progress has also been made in integrating recent store acquisitions in Burghead, Borrowfield and Bathgate. In addition we have completed the re-fit of four trial stores, as we lay the foundations for the rollout of our store re-development programme.

The focus on “raising the bar” will improve the business further through a more systematic approach to product availability and investment in central resource to enhance the management of store space, planograms and range.

## Semi Chem

Semi Chem is now a focussed discount health and beauty retailer with a clearly defined range of branded products. Despite the poor weather and challenging conditions on the high street the business saw growth in like for like sales in the first half of the year. The concentration on “profitable sales” and improved control of buying, range and replenishment processes helped drive a significant improvement in Semi Chem’s operating margins.

As in the Food Division, the focus is now on a ‘raising the bar’ campaign with a product-led strategy driven by the new Head of Buying, recruited from a major competitor. We will also continue to improve our promotional and marketing activity building on the success of a trial direct marketing campaign.



# Directors' Report



## Property and Development

Property continues to turn in a good performance through a programme of development and the selected disposal of lower returning assets. Highlights include a development of flats by Scotia Homes as part of the re-development of our Kirkliston food store and success in letting the former Semi Chem warehouse at Newbridge. The Joint Venture at our former Head Office in Fountainbridge is due to complete in October. A pre-let for part of the new development has been agreed with Biggart Baillie.

## M & S Toiletries

We reported last year the loss of sales to a major national account customer and this has continued to impact into the calendar year 2007. Excluding this predicted loss of revenue, encouraging progress has been made to grow the core underlying business. As a result we have maintained profitability at a level broadly in-line with last year as we invest and build both the core business and new streams of business.

## Funeral

The Funeral division had a strong start to the financial year despite the continued decrease in the death rate in Scotland. The improvement in trading results is driven largely from the Edinburgh area however the ongoing development work at Fountainbridge and related roadworks have affected trade in this location.

## Membership

The Society launched the first phase of its new Membership Strategy at the end of June into 12 pilot stores. The new membership branding linked with other communication initiatives has produced a positive initial response with a dramatic rise in new members. The results from this phase are being monitored and will be utilised in the phase 2 launch next January.

## Appreciation

The Directors would like to thank our members, customers and staff for their ongoing support as we continue to re-build the business.

# Interim Statement of Group Trading Activities

	28 weeks to 11 August 2007 unaudited	28 weeks to 12 August 2006 unaudited
	£'000	£'000
<b>Turnover</b>		
Total turnover	<u>197,208</u>	<u>193,674</u>
<b>Profit</b>		
Operating profit before exceptionals	2,761	1,122
Exceptional items	<u>192</u>	<u>432</u>
Profit before interest	2,953	1,554
Net interest payable	<u>(1,554)</u>	<u>(1,832)</u>
Profit/(loss) before distributions	1,399	(278)
Share interest	(97)	(99)
Grants and donations	<u>(132)</u>	<u>(85)</u>
Surplus/(loss) before taxation	<u>1,170</u>	<u>(462)</u>
<b>Net Assets</b>		
Fixed assets	138,762	141,836
Net current liabilities	(253)	(9,968)
Long term liabilities	(35,172)	(36,418)
Provisions for liabilities and charges	(2,557)	(2,519)
Pension fund liability	<u>(7,602)</u>	<u>(9,857)</u>
Net assets	<u>93,178</u>	<u>83,074</u>
<b>Cash Flow</b>		
Inflow from operating activities	5,819	5,160
Net interest paid	(1,696)	(1,933)
Corporation tax (payment)/receipt	(996)	946
Repayment of interest in Joint Venture	21	215
Capital expenditure	(2,900)	(2,065)
Acquisitions	(420)	0
Proceeds from sale of fixed assets	3,941	8,455
Increase in members' share capital	109	90
Reduction in net debt	<u>3,878</u>	<u>10,868</u>
<b>Net Debt</b>		
Opening net debt	(36,859)	(54,842)
Reduction in period	3,878	10,868
Closing net debt	<u>(32,981)</u>	<u>(43,974)</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 27 January 2007 Annual Report and Accounts.
3. No provision has been included in the net assets statement for any possible tax charge, either current or deferred, which may arise.

# Notice of Meeting and Agenda of Business

Notice is hereby given that an Ordinary General Meeting of the Society will be held on Monday, 1 October 2007 at 7pm at the following places:

The Hilton Grosvenor Hotel, Grosvenor Street, Edinburgh and the Cairn Hotel, Blackburn Road, Bathgate, West Lothian.

## Agenda of business

1. Synopsis of Minutes of Annual General Meetings held on 7 May 2007.
2. Obituary References.
3. Directors' Report/Interim Accounts.
4. Appointment of Tellers.
5. Nominations for Area Committees  
**East Area** 5 Members to serve for 3 years  
**West Area** 5 Members to serve for 3 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 & Community Development 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 27 January 2007.

The next General Meeting (Annual General Meeting) will be held on Monday, 5 May 2008 at Edinburgh and Bathgate.

Copies of the standing orders for meetings will be available at the meetings and can also be found on our website at [www.scotmid.coop](http://www.scotmid.coop)

# Synopsis of Previous Meeting

The Annual General Meeting of Members of Scottish Midland Co-operative Society Limited was held in the Hilton Grosvenor Hotel, Grosvenor Street, Edinburgh, and Motherwell Football Club, Fir Park, Motherwell on Monday, 7 May 2007 at 7pm.

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

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

1. Synopsis of Minutes of Ordinary General Meetings held on 2 October 2006 was submitted and adopted.
2. Synopsis of Minutes of Special Meeting held on 2 October 2006 was submitted and adopted.
3. Sympathetic reference was made to the passing of Superannuated Employees.
4. The Directors' Report/Annual Accounts were read and accepted. An update on Membership Strategy was presented and accepted. In the West Area a representative from Marie Curie Cancer Care made a presentation on the new charity for 2007/2008.
5. The following Tellers were appointed:  
**East Area** Mrs Begbie and Mrs Swift  
**West Area** Mrs Moon and Mr Moon (Snr)
6. Elections of Members of Area Committees  
**East Area:** 4 Members were elected to serve for 3 years:  
Mr R Brown, 14 Craigleith Hill Crescent, Edinburgh, EH4 2JZ  
Mr J Hill, 21 Cranston Street, Penicuik, Midlothian EH26 9BP  
Mrs C Kerr, 89 Northfield Drive, Edinburgh EH8 7RG  
Mr D Paterson, Flat 3F1, 61 Restalrig Road, Edinburgh, EH6 8BE  
**North Area:** 1 Member was elected to serve for 3 years:  
Mrs A Anderson, Dungeith, 1 Panmure Place, Montrose, DD10 8HF  
**West Area:** 5 Members were elected to serve for 3 years:  
Mr R Kelt, 2 Allan Park, Kirkliston, West Lothian, EH29 9HA  
Mr D McGrouther, 138 Easter Bankton, Livingston, EH54 9BH  
Mr T McKnight, 7 McLardy Court, Uphall, EH52 5SL  
Mr J Middleton, 9 Ennis Park, Polbeth, EH55 8TN  
Mr J Watson, 36 Lawhill Road, Law, Carluke, ML8 5JQ  
1 Member was elected to serve for 2 years:  
Mr D Muirhead, Tanaugh, 18 Newlands Avenue, Bathgate, EH48 1EE



# Synopsis of Previous Meeting

7. Nomination and Election for Member Relations Committee  
**East Area:** 2 Members to serve for 3 years:  
Mrs H Anderson, 13 Forth Street, Newtongrange, Midlothian, EH22 4PP  
There being no other nominations Mrs Anderson was declared elected for 3 years.  
**North Area:** 2 Members to serve for 3 years:  
There were no nominations.  
**West Area:** 2 Members were elected to serve for 3 years:  
Mrs M Scott, 26 Barntonhall Road, Waterloo, Wishaw ML2 8EP  
Mr Raymond Carse, 8 Glenside Gardens, Armadale, West Lothian, EH48 3RA.
8. Nomination and Election of Members' Delegate to Scottish Co-operative Party Annual Conference, 2007.  
**East Area:** 1 Delegate: Mr David Hop  
**West Area:** 1 Delegate: Mr D Moon (Snr)
9. Synopses of Minutes of Board Meetings were accepted.
10. Agreed to the 3.7% increase for remuneration of Office Bearers, Directors and Committee Members as recommended by Board of Directors. There was no increase to the remuneration for Tellers.
11. Agreed to the status quo of fees for Directors' and Committee Members' Delegations as recommended by 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. Reports by Members' Delegates on attendance at Scottish Co-operative Party Conference 28 October 2006 were submitted and noted.
16. Questions were raised and satisfactorily answered on the night or followed up thereafter.

# Board Members

The following tables show the number of meetings attended by each member of the Board or Committee compared to the total of number of meetings held in the period (shown at the bottom of each table).

Board Directors	Board Meetings	General Purposes	Audit	Risk	Remuneration	Search
Mr H Smallman (P)	8	2		1		3
Mr D Moon (VP)	8	2	1		1	3
Mr J Anderson (MS)	7		1			
Mr I Bailey	7					3
Mr R Brown	7					3
Mr H Cairney	7				1	
Mr J Gilchrist	8				1	
Mr J Hill	6			1		
Mrs M Hume	7			1		
Mr D Jamieson	7			1		
Mrs C Kerr	7	2				2
Mr J Middleton	7				1	
Mr D Paterson	7					3
Mr J Watson	8	2	1			
Miss A Williamson	8	2	1			
<b>Total meetings held</b>	<b>8</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>

Key: P - President, VP - Vice President, MS- Minute Secretary

# Committee Members

East Area Committee		West Area Committee		Member Relations Committee	
Miss A Williamson (C) *	6	Mr D Moon (C)	6	Mrs H Anderson	4
Mrs C Kerr (VC)	7	Mr J Watson (VC)	7	Mr R Carse (N)	3
Mr J Anderson (MS)	6	Mr T McKnight (MS)	7	Mrs I Dickson #	3
Mr D Jamieson (T) *	7	Mr J Gilchrist (T) *	7	Mr D Hop	7
Mrs A Anderson	6	Mr I Bailey *	7	Mr J MacKenzie	6
Mr R Brown	6	Mr P Devenney *	7	Mrs M Moon	0
Mr H Cairney *	5	Mrs M Hume *	6	Mrs M Scott	4
Mrs G Dow	6	Mr R Kelt	7	Mrs B Swift *	5
Mr J Hill	5	Mrs T McEleney *	6	Mr D Reid	7
Mr S Kerr *	6	Mr David McGrouther	7	<b>Co-opted Observers</b>	
Mr J Miller	5	Mr J Middleton	5	<b>Observers term ending May 07:</b>	
Mr F Murphy	7	Ms A Milne	7	Mr J Middleton	3
Mr D Paterson	6	Mr D Muirhead	6	Mr S Kerr	4
Mrs J Reid *	7	Mr M Ross	5	Mrs J Reid	4
Mrs G Smallman	7	Mrs M Ross	6	<b>Observers appointed May 07:</b>	
Mr H Smallman	7			Mr D McGrouther	3
Mrs M Smith	5			Miss A Williamson	2
<b>Total meetings held</b>	<b>7</b>		<b>7</b>		<b>7</b>

Key: C - Chairperson, VC - Vice Chairperson, MS- Minute Secretary, T- Treasurer. N - New MRC member elected May 2007.

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

# retired under the Age Rule In May 2007 and are not eligible for re-election.

society  
**membership**



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**SCOTMID** co-operative

**Scottish Midland Co-operative Society Limited,  
Hillwood House, 2 Harvest Drive, EH28 8QJ**

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