

**THE MIDCOUNTRIES CO-OPERATIVE LIMITED
MINUTES OF THE ANNUAL MEETING OF MEMBERS HELD AT
THE NATIONAL MOTORCYCLE MUSEUM, COVENTRY ROAD, BICKENHILL,
SOLIHULL ON SATURDAY 15 MAY 2010**

Directors present

**John Boot - President
Doreen Shaw - Vice-President
Vivian Woodell - Vice-President
Graham Adams
Steve Allsopp
Sheila Allen
Isobel Burbidge
Margaret Jarvis
Norman Heywood
Donald Morrison
Jean Nunn-Price
Helen Wiseman**

Apologies from Directors

**Irene Edgar
Roy Frodsham
Patrick Gray**

428 Members present (including Directors & Officers)

Society Officers present

**Ben Reid, Chief Executive
Edward Parker, Secretary & Head of Governance
The Executive Team**

09/01 Welcome

John Boot welcomed members to the meeting and introduced the directors and senior management attending. He passed on the apologies of those directors unable to attend the meeting.

09/02 Tellers

Tellers were appointed: Mike Abbott, Malcolm Dixon, Jim Pettifer, Jo White, Mike Pickering, Julie Sheldon, Adrian Wilkinson, Tarra Simmons.

09/03 Approval of minutes

The minutes of the Half-Yearly Meeting of Members held on 14 and 19 - 22 October 2009 were approved:

For	Against
261	12

The minutes of the Annual General Meeting held on 16 May 2009 were noted.

The minutes of the Special Meeting of Members held on 14 and 19 - 22 October 2009 were approved:

For	Against
230	13

09/04 Matters arising

There were no matters arising.

09/05 Annual Report

John Boot introduced the Society's Annual Report & Accounts for the financial year ended on 23 January 2010. He noted that the Society had produced a record set of results and he was pleased to pay tribute to the hard work of all colleagues and the management team in achieving this.

.1 Presentation

Ben Reid gave a presentation on the Society's results for the year highlighting the following:

Co-operation

- 70,000 New members
- Engaged with 11,000 members
- £260,000 Community Grants
- 27,179 Community volunteering hours
- Completion of the National Brand Roll-out
- BITC Community Mark

People

- 94% return on Colleague Survey
- Sunday Times 'One to Watch'
- Gold Award Opportunity Now
- Gold Award Race for Opportunity
- National Skills Pledge
- Future Leaders Programme
- Essential Skills Programme

- Graduate Programme
- Values & Principles Training – DOES
- Donna Hunter – National Store Manager of the Year
- Richard Vines – Scales award for achieving the highest mark in Funeral Diploma
- Sarah Newey – National Pharmacy Manager of the Year
- Swindon Nursery – Finalist, Nursery World Awards

Customers

- Ethical Trading £31.2m from £9.2m
- Fairtrade increased by 20%
- Local Harvest increased by 27%
- Recycling Waste increased to 21%
- Launch of Customer Loyalty Index

Financial

- Sales increased by 5% to £787m
- Trading Profit increased by 19% to £19.3m
- Net Capital Investment £14.7m
- Net Debt reduced by £5.8m
- £2m Transferred to reserves
- Pension deficit increased by £13.1m

Revenue Account

	2010	2009	Increase
	Actual	Actual	%
	£m	£m	
Sales	787.3	748.4	5
Trading Profit	19.3	16.2	19
Other Operating Items	(5.4)	0.5	
Bank Interest etc	(3.6)	(3.5)	
Distributions	(4.3)	(3.5)	
Profit before Tax	6.0	9.7	

Balance Sheet

Fixed Assets	269.2	264.1	5.1
Net Current Assets	0.7	2.2	(1.5)
Long Term Liabilities	(73.7)	(73.0)	(0.7)
Deferred Tax	(6.1)	(11.2)	5.1
Pension Liability	(28.9)	(15.8)	(13.1)
	161.2	166.3	(5.1)
Net Assets	161.2	166.3	(5.1)

Ben Reid also commented on the trading performance of each Group.

.2 Questions on the report and accounts:

In response to questions, the following was noted:

- pensions – the deficit in the Society's pension scheme was an issue; the Society was in the process of undertaking a triennial valuation and once the results of this were known, a more considered view could be taken as to what action to take in regard to the deficit; it was notable that the Society had switched its pension scheme from a final salary basis to a to career average basis to help ameliorate the level of the deficit; in addition, the Trustee had introduced a revised investment strategy which aimed to provide an appropriate balance between risk and reward; it would always be the case that a number of factors affecting the deficit were outside the control of the Society.
- Fairtrade sales – Fairtrade sales were a key element of the Society's offer to customers; given the limited range of Fairtrade products available the proportion of Fairtrade sales to overall sales was small; nonetheless, the co-operative movement as a whole was keen to maintain its leading support for Fairtrade; a specific request was made to stock Fairtrade cola, this would be considered.
- packaging – a significant level of work was being undertaken at national level to reduce unnecessary packaging.
- green funerals – the Society did offer green funerals, however, demand was limited.
- pharmacy – the rise in profits for the year was due to a strong performance from the Group rather than the increased sale of generic drugs.

.3 Approval

Reference was made to the auditors' report which was unqualified and, therefore, taken as read.

The Directors' Report for the year ended 23 January 2010 was proposed, seconded and approved:

For
277

Against
9

The Financial Statements for the year ended 23 January 2010 were proposed, seconded and approved:

For

Against

09/06 Approval of Distributions

.1 Presentation

Steve Ridler, Group General Manager Commercial Services, gave a presentation on the proposed distributions to be made to the Society's stakeholders.

.2 Questions

In response to questions the following was noted:

- colleague distribution – the amount proposed represented the target percentage set by the Board, which it was hoped would be sustainable into the long term; it also represented a distribution for the whole of the year (which made comparisons with the amount proposed to be distributed to members difficult, as this only represented part of the year); the amount colleagues received was based on hours worked and length of service.
- community grants – the Society distributed grants of up to £250 to local community organisations; the Membership Strategy Committee approved the grants using an assessment process; the amount granted was designed to provide a touch point for the organisations with the Society; amounts underspent during the year would be carried forward to next year.

.3 Approval

The following distributions were proposed, seconded and approved:

- Share of profits final payment for the year 2009/10 at £1,468,000 (equating to 1.5p per point earned)

For	Against
295	16

- Membership development budget for 2010/11 at £1,145,000

For	Against
263	29

- Co-operative development budget for 2010/11 at £341,000

For	Against
280	31

- Community support budget for 2010/11 at £470,000

For	Against
285	22

- Employee Share Distribution for 2009/10 at £923,000.

For	Against
270	43

09/07 Remuneration Report

John Boot presented the Society's Remuneration Report for the year ended 23 January 2010. He noted that the report was presented to members for an advisory vote in accordance with the Co-operatives^{uk} Governance Code of Best Practice.

In response to a question it was noted that (i) the Board was undertaking a review of the Society's remuneration policies and practices across all colleagues, and (ii) it was the Remuneration Committee's policy to set basic pay for the Executive at the median level for organisations of a similar size and complexity within the retail sector, but to set variable pay substantially below the median level.

The Remuneration Report was endorsed by members:

For	Against
216	82

09/08 Membership Strategy Committee (MSC) report

.1 Presentation

Linda Taylor (MSC Chair) and George Waddell (MSC member) gave a report on the activities of the MSC during the year. The following was highlighted:

- the number of new members recruited during 2009/10
- the number of members attending local events
- the introduction of Regional Forums
- the Society's Schools Engagement Programme
- a number of projects funded by the Community Grant scheme
- examples of colleague volunteering
- progress over the year with the Society's charity partner Help the Hospices
- the Society's Dental project with school children

.2 Questions

In response to questions, the following was noted:

- member education – the concept of member education was fulfilled in a variety of ways within the Society, the work with Sutherland School being of particular note.
- Woodcraft Folk – the Society gave an annual grant to the Woodcraft Folk and sought links with the organisation given the shared value set between the two.
- annual members conference – the conference had not been held for a number of years; at the time it was disbanded, it was felt it focused too much resource on too few members; this would be considered again.
- co-operative schools – the outgoing Labour government had been a great advocate of co-operative schools; it was too early to tell what the new coalition government's approach would be; Local Authorities appeared supportive of co-operative schools; it was notable that co-operative schools remained under Local Authority control; the NUT was cautious as regards the benefits of Academies.

Adjournment

The meeting adjourned whilst a Special Meeting was held, followed by lunch. The meeting then reconvened.

09/09 Questions and Answers

Answers to written questions received from members prior to the meeting were given. The written questions and answers are attached to these minutes.

In response to questions from the floor (and two written questions received very late), the following was noted:

- Towcester/Brackley expansion – the Society was always keen to expand its trading presence and was looking for opportunities in all the locales where it traded; a site finder had been employed to assist the Society in this regard.
- sale of alcohol/tobacco – the Society took this issue very seriously; in the 1990s, the Society was the first retailer to ban tobacco advertising in stores; more latterly, the issue of cigarette sales had been debated by members at the 2008 AGM; the conclusion drawn was that the Society should continue to sell tobacco in a responsible manner; there was also the view that the Society should support organisations that sought to reduce smoking, and steps were being taken in this regard with the charity Kids Against Tobacco Smoke; the Society applied the same broad principles to the sale of alcohol.
- electricity generation – the Society would look to do more to generate electricity through wind and solar power; the possible wind turbine site

at Botley Road, Oxford might not have sufficient windspeeds to make a turbine viable; technology advanced, and mini-turbines were now becoming viable; solar panels provided a poor return; the recently introduced feed-in tariff would likely encourage small scale energy generation initiatives.

- coalition government – the Society would explore opportunities to further the co-operative/mutual model with the new government as and when they arose; however, there was no set agenda at the present time, as the attitude of the new government to the co-operative/mutual sector was unknown.
- Somerfield – the Competition Commission required the sale of a number of Somerfield stores outside of the movement before it gave clearance to Co-operative Group to proceed with the acquisition of Somerfield.
- net assets – there had been a small reduction in the Society's net assets due in the main to (i) an increase in the Society's pension scheme deficit and (ii) falls in the value of two properties – the Society's Motor dealership site at Swindon (now sold) and the King of Prussia former pub site in Oxford.
- plastic bags – the Society supported communities which set out to become plastic bag free; as a result, 4 stores across the Society's estate were plastic bag free; there had been a 60% drop in plastic bag use over the last 2 years.

09/10 Any Other Business

There was no other business raised.

09/11 Meeting Close

John Boot thanked members for attending and formally closed the meeting.

09/12 Presentation and discussion sessions

Discussion sessions were held on 'Member Volunteering' chaired by Margaret Jarvis and 'Ethical Travel' chaired by Jean Nunn-Price. The output from these meetings is attached. Members were also able to view the film 'The Vanishing of the Bees'.

Dates of next meeting: 14, 18 – 21 October 2010 – half year meetings – venues to be advised