

**THE MIDCOUNTRIES CO-OPERATIVE LIMITED  
MINUTES OF THE ANNUAL MEETING OF MEMBERS HELD AT  
THE BANK HOUSE HOTEL, BRANSFORD, WORCESTER ON  
SATURDAY 10 MAY 2008**

**Directors present**

**Patrick Gray (President)  
John Boot (Vice-President)  
Vivian Woodell (Vice-President)  
Steve Allsopp  
Sheila Allen  
Isobel Burbidge  
Irene Edgar  
Margaret Jarvis  
Donald Morrison  
Jean Nunn-Price  
Doreen Shaw  
Alan Sutton  
Helen Wiseman**

**327 Members present**

**Society Officers present**

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

**08/01 Welcome**

Patrick Gray welcomed members to the meeting and introduced the directors and senior management attending.

**08/02 Tellers**

Tellers were appointed: Kevin Swan, James Sheldon, Ollie Moseley and Haydn Lunn.

**08/03 Approval of minutes**

The minutes of the Half-Yearly Meeting of Members held on 23, 24 & 25 October and 5, 6, 7 & 8 November 2007 were approved.

For	Against	Abstain
174	10	14

The minutes of the Special Meeting of Members held on 23, 24 & 25 October and 5, 6, 7 & 8 November 2007 were approved.

For	Against	Abstain
182	13	25

#### **08/04 Matters arising**

- .1 Carrier bags – the Society had achieved a 30% reduction in carrier bag use over the last year; various initiatives were being trialled including bag-free stores and a forthcoming trial of a potato starch bag; the Society was aiming to reduce plastic bag use by 70% - 90% over the next year; it was unlikely that the Society would seek to ban plastic bags, as a proportion of customers still wished to use them.

#### **08/05 Annual Report**

Patrick Gray introduced the Society's Annual Report & Accounts for the financial year ended on 26 January 2008. He noted that the Society had produced a very strong set of results and he was pleased to pay tribute to the hard work of all colleagues in achieving this.

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

##### **Commercial**

- Sales increased by 20% to £712m
- Trading Profit increased by 11% to £12.0m
- Net Capital Investment of £38m
- Achieved Investor in People status
- All energy from 100% green sources

##### **Co-operative**

- Flood Appeal - £80,000 raised
- National Awards – Business in the Community
- Dividend improvement
- 20,000 new members
- Restructured member involvement
- £204,000 grants made
- 14,847 community hours given by colleagues

## Revenue Account

	<b>2008</b>	2007	Increase
	<b>Actual</b>	Actual	%
	<b>£m</b>	£m	
Sales	<b>711.8</b>	595.3	20
Trading Profit	<b>12.0</b>	10.8	11
Bank Interest etc	<b>4.3</b>	2.7	
Profit after Tax and Distributions	<b>5.6</b>	4.8	

## Balance Sheet

	<b>2008</b>	2007	Change
	<b>£m</b>	£m	£m
Fixed Assets	<b>266.3</b>	234.8	31.5
Current Assets	<b>89.1</b>	85.0	4.1
Current Liabilities	<b>(90.4)</b>	(80.9)	(9.5)
<b>Net Current Assets</b>	<b>(1.3)</b>	4.1	(5.4)
	<b>265.0</b>	238.9	26.1
Long Term Liabilities	<b>(71.1)</b>	(48.1)	(23.0)
Deferred Tax	<b>(18.1)</b>	(18.5)	0.4
Pension Liability	<b>(7.1)</b>	(18.7)	11.6
<b>Net Assets</b>	<b>168.7</b>	153.6	15.1

In response to questions the following was noted:

- Somerfield – the Co-operative Group were in negotiations with the owners of Somerfield to buy the business. It was likely that an offer would be made in the near future. If the Group were successful in their bid, it was hoped the Society would be given the opportunity to purchase the stores in its heartlands.
- Food sales – a brief summary of the sales performance in the Food Group was provided.

- Return on capital employed (ROCE) – as a co-operative, the Society had both commercial goals and wider social goals. ROCE was a key measure of performance from a commercial perspective. However, the Board was well aware of its wider obligations and thus decisions were not necessarily made on commercial grounds alone.
- Post Offices – the Society operated 94 post offices. These fitted well with the Society’s community ethos. The Post Office’s closure programme had affected only a handful of the Society’s post offices.
- Brackley store sale – the contract for the sale of the Society’s supermarket in Brackley to Waitrose had been exchanged. Initially it had been planned to redevelop part of the site for residential development to help cover the costs of refurbishing the store. However, these plans had foundered on the strength of local opposition. The Waitrose offer was exceptionally strong, and the Board had taken the difficult decision to sell the store.

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

The Directors Report for the year ended 26 January 2008 was approved by members:

For	Against	Abstain
208	4	9

The Financial Statements for the year ended 26 January 2008 were approved by members:

For	Against	Abstain
216	3	5

## **08/06 Remuneration Report**

Patrick Gray presented the Society’s Remuneration Report contained in the Annual Report. The report was being presented to members for an advisory vote in accordance with the Co-operatives<sup>uk</sup> Code of Best Practice.

The Remuneration Report was endorsed by members on a show of hands.

## **Adjournment**

The meeting adjourned whilst a special meeting was held. The meeting then reconvened.

## 08/07 Approval of Distributions

Ben Reid gave a presentation on the proposed distributions to be made to the Society's stakeholders.

In response to questions the following was noted:

- .1 Membership activity – spend had decreased when compared against last year. This was mainly due to a reduction in wage costs following the departure of a senior manager.
- .2 Co-op Party spend – budgets were submitted by each regional party for approval by the Board. Spend had increased by c. £2,000 compared to last year.

The following distributions were approved:

- Share of profits payment for the half year 2007/8 at £541,000 (equating to one penny per point earned)

For	Against	Abstain
216	12	1

- Membership activity budget for 2008/9 at £1,121,000

For	Against	Abstain
207	13	7

- Co-operative activity budget for 2008/9 at £408,000

For	Against	Abstain
209	19	4

- Community activity budget for 2008/9 at £572,000

For	Against	Abstain
203	13	7

- Employee Share Distribution for 2007/8 at £186,000 (approved subject to registration with the FSA of the rule changes approved at the special meeting held earlier).

For	Against	Abstain
208	13	3

## 08/08 Presentations

- .1 Food Retail – Andy Cresswell, Group General Manager, Food Retail, presented a review of the activity of the Society's Food Retail Group over the last twelve months and commented on the outlook for the year ahead.
- .2 Travel – Sue Reid, Deputy General Manager, Travel Group and Marco Mori, Head of Sales and Marketing, Travel Direct, presented an overview of the travel market and the Travel Group's strategy to develop and grow its business. In addition, they were pleased to announce the launch of a new benefits travel package for members of the Society. [Secretary's note: Geoff Hurmson, the Society's Group General Manager for Travel was on sick leave, and hence unable to attend the meeting].

## 08/09 Questions and Answers

In response to written questions and questions from the floor, the following was noted:

- .1 Location of AGM – the Board believed it was important to have a single AGM, held at a venue central to the Society as to facilitate access for as many members as possible. Venues were chosen with this in mind.
- .2 Impact of the 'credit crunch' – there had been no significant impact as a result of the credit crunch, though it was clear that the major supermarkets were focussing heavily on price.
- .3 EU directive allowing chickens to be fed pig offal - all co-operative branded chickens were fed on cereal feed only and were thus 'pig free'.
- .4 Post Offices
  - i. The Society currently operated some 94 post offices. These provided an essential service to the community, and fitted the Society's social and commercial aspirations well. The Society actively sought opportunities to expand its post office presence.
  - ii. The Society was aware of a proposed Tesco store in Marston, Oxford, but was not aware of any plans by Costcutter to close their nearby store and post office. If this happened, the Society would consider the possibility of taking over the post office.
  - iii. The post office in the Society's Carterton store would not be closing as a result of the Post Office's closure programme.
  - iv. A decision on the future of the post office in Primrose Hill, Lydney

was awaited. Any decision by the Post Office to close this branch would be final.

- .5 Membership Strategy Committee – the Committee had been established in the autumn of 2007 to take forward membership and community matters within the Society. It acted as a key fulcrum point linking grass-roots membership to the Board.
- .6 Low Energy Light bulbs – CRTG was planning to sell low energy light bulbs from 2010.
- .7 PR activity – it was acknowledged that further work needed to be done to better promote the activities and successes of the Society.
- .8 Travel and CO<sub>2</sub> emissions – the Society had been searching for a commercially viable eco-friendly holiday product but with little success as such products were generally not available. Whilst the Travel Group was keen to promote eco-friendly holidays, customers were choosing to fly more and more. The Travel Group was, naturally, meeting this demand. Eco-friendly holidays were a significant agenda item for CTTG.
- .9 Worcester co-op stores – the co-op stores trading in the Worcester area belonged to the Co-operative Group. The Group had no plans to sell these to the Society.
- .10 Packaging – CRTG was targeting a reduction in packaging of 25% and was reviewing all its product range to reduce packaging. However, to achieve this target would require consumer habits to change as well.
- .11 Rusts, Covingham Square, Swindon – a solution regarding trolley use in the store was to be trialled shortly.
- .12 Co-op TV advertisements – the current TV advertising campaign was praised for being honest, clear and open.
- .13 Food wastage – the Society had investigated the possibility of giving food that had reached its sell by date to charities, but had been unsuccessful due to very stringent regulation in this area. To avoid wastage, the Society had a ‘reduce to clear’ policy within all stores. A suggestion was made to publish tips for using food approaching its use by date in the members’ magazine. This would be considered.
- .14 Member education – the Society fulfilled its commitment to the co-operative principle of education by informing members about co-operative values and principles and the work of the Society. The role of the Membership Strategy Committee was central to this activity.
- .15 Property – the Society owned a significant number of flats above its stores, a number of which were empty. The property team would be

reviewing these. It was possible that co-operative ownership of the flats could provide a solution to the empty units.

**08/10 Any Other Business**

There was no other business raised.

**08/11 Meeting Close**

Patrick Gray thanked members for attending and formally closed the meeting at 1.00 pm.

**08/12 Debate on the sale of cigarettes in Society stores**

During the afternoon a debate was held on the sale of cigarettes in Society stores. The Society was keen to understand the views of members in relation to this difficult and sensitive area.

The debate was chaired by Patrick Gray, supported by Andy Cresswell, Group General Manager, Food Retail, Paul Byrne, Group General Manager, Pharmacy, and Andy Taylor from Novartis Consumer Health UK (makers of smoking cessation products).

Patrick Gray introduced the subject, and presentations were made by Andy Taylor (on general facts concerning smoking) and Andy Cresswell (on a retailer's perspective to the sale of cigarettes) to help inform members as to the issues involved.

During the ensuing debate amongst members, a clear consensus emerged from the floor. That:

- the Society should seek to educate its customers more as to the dangers of smoking
- smoking cessation products should be made widely available in Society outlets
- cigarettes should continue to be sold in Society stores.

At the end of the debate, a series of questions were posed. Members voted as follows:

- It's a matter of personal choice – if people want to buy tobacco products, it's up to them

Agree strongly	Agree	Disagree	Disagree strongly
69	40	11	7

- Selling tobacco products is unethical – we should stop doing it straightaway whatever the cost

Agree strongly	Agree	Disagree	Disagree strongly
8	14	47	59

- We should adopt a step by step approach and put pressure on other retailers to follow our example

Agree strongly	Agree	Disagree	Disagree strongly
66	37	14	10

- Just taking a public stand is not enough – we should take active steps to help reduce smoking amongst young people

Agree strongly	Agree	Disagree	Disagree strongly
88	38	5	6

Patrick Gray thanked members for their contributions to the debate, and advised that all the above views would be taken into consideration by the Society, as it sought to tackle the issues raised and develop policy in this area.

Dates of next meeting: 27 – 30 October 2008 – half year meetings – venues to be advised