SCOTTISH MIDLAND CO-OPERATIVE SOCIETY LIMITED

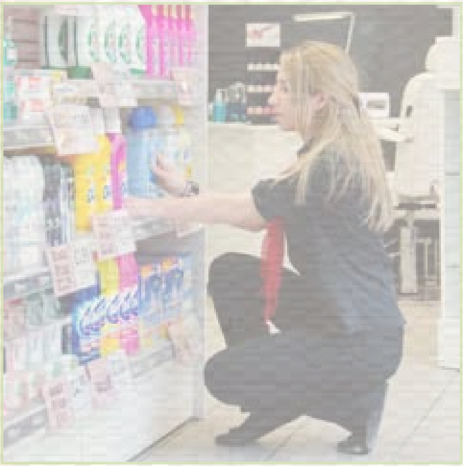
Annual Report & Financial Accounts

for the year ended 26 January 2013

SCOTMID co-operative


SCOTMID co-operative


SCOTMID
co-operative




Scotmid co-operative
Warrender Park
bakery fruit & veg
Here for you
6am to midnight

Above: Pupils from Stockbridge Primary School help launch Edinburgh's Fairtrade Celebrations at Scotmid Stockbridge, with Malcolm Brown, Head of Corporate Communications and Rt Hon Lord Provost Donald Wilson

DIRECTORS

President

Mr H Smallman

Vice President

Mr H Cairney

Mr J Anderson

Mr I Bailey

Mr P Devenney

Mr J Gilchrist

Mr J Miller

Mr D Paterson

Mr T McKnight

Mrs G Smallman

Mr J Watson

Miss A Williamson

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

Head Of Human Resources

Steve McDonald

Chief Operating Officer

Colin McLean

ADVISORS AND REGISTERED OFFICE

Independent Auditors

Deloitte LLP

Bankers

The Royal Bank of Scotland plc

Solicitors

Anderson Strathern WS

Registered Office

Hillwood House, 2 Harvest Drive,
Newbridge, EH28 8QJ

Overview

Above: Graeme Morrice, MP for Livingston (Centre) opens our new Polbeth store with John Brodie CEO, Hollis Smallman, Society President and Directors Pat Devenney and Tom McKnight.

The Directors are pleased to present their report for the year ended 26 January 2013. In a year of weak consumer confidence Scotmid delivered a stronger second half performance buoyed by trading over the Christmas period. The Society achieved a robust performance in a challenging economic climate.

Scotmid's operating surplus before exceptionals for the year was £6m compared to £6.5m last year. Total sales increased by £2m to £378m. Underlying profits from our trading businesses were positive, however, the Society made a one-off investment in process improvements, saw a reduction in the rate of Co-op dividend received and absorbed increased pension costs in the year. The strong trading results benefited from a range of business improvement initiatives, support from our loyal customer base and a strong festive period. Poor summer weather impacted the first half of the year.

The Society continues to enjoy a strong balance sheet with net assets of £94m even after absorbing an increased pension deficit. Pro-active management of stock, cash and capital expenditure resulted in a further reduction of net debt by £3m.

A key strategic focus in the year was the investment in business improvements and process developments to enhance Scotmid's long-term growth potential. A good example of this was the process improvement project, the objective of which was to review and simplify business processes in order to increase the Society's capacity for future growth. The Food Retail convenience business successfully launched a trial of a new "premium fresh" format, it extended the range of local suppliers and made significant progress in the development of the fresh offer. Our new in-store bakery counter concept, partnering with local bakers, has continued to be rolled out with a positive response from customers.

It is encouraging to report that both Food Retail and Semichem delivered an improved bottom line despite the extremely competitive marketplace, pressure on the high street and customers becoming more selective on where and on what they spend. Geographically, Northern Ireland is still being hit harder by the economic downturn, however our stores in England showed positive growth. The Society's non-retail businesses continued to perform well, in particular Funeral had a very strong performance helped by the successful opening of a new funeral home in Edinburgh, responding to the increase in local competition.

Development of the Society's membership and democratic structure continued with the North Regional Committee nearing the end of a successful period of transition. This will culminate with the election of the co-opted committee members at the AGM in April 2013, the first formal members' meeting held in the North Region for many years.

The Society's annual report last year highlighted that prospects for growth in this financial year were likely to be constrained by ongoing uncertainty in the market and pressure on costs, this has proven to be the case. In this context we are pleased to report an increase in underlying trading profit and a further reduction in net debt. Looking forward, we anticipate that next year will again be challenging with the expectation that the marketplace will at best remain static for a number of years. The current market does however present opportunities and Scotmid will continue to focus on new initiatives and business development opportunities as part of the long-term strategy for growth and continuous improvement.

Food Retail

Above: Arlene from Forth One helps the manager and staff relaunch the "premium fresh" format store in Marchmont, Edinburgh.

In the context of a difficult market, it is pleasing to report that the Scotmid Food convenience business delivered sales and profit growth. The double dip recession, low consumer confidence and the particularly poor summer weather made 2012 a very challenging year for retailers. This was clearly illustrated by The Scottish Retail Consortium reporting 2012 sales growth of just 0.7% and for July the worst food sales performance since their records began.

The very poor summer weather affected seasonal categories such as BBQ and soft drinks and the national events during the year (Diamond Jubilee, European Football Championships and the Olympics) did little to stimulate food sales in Scotland. However, the business benefited from a range of factors including strong growth from the former Botterills stores, improved trading over the festive period, control of costs and a number of important business improvement initiatives. Underlying profit growth was particularly strong when the impact of a 24% reduction in the rate of Corporate Dividend receivable from the Co-operative Group is taken into account.

Strategic development work on our convenience business moved ahead in 2012. Initiatives to develop the fresh offer have progressed, supported by capital investment in display stands and refrigeration. The new "premium fresh" format which includes a black fascia, an extended range of fresh and an increase in locally supplied products, was developed and successfully trialled at two stores in Edinburgh (Warrender Park and Marchmont). This success was acknowledged by the retail industry at the Convenience Retail Awards 2013 where Warrender Park won Best Multiple Convenience Store of the Year. We also continued to broaden our contacts with local suppliers and worked in partnership with the award winning baker, Stephens the Bakers, to roll out the bakery counter proposition. This has provided a model to work with other quality local bakers who operate in the vicinity of our stores. The Costa express coffee proposition has been rolled out to 18 sites, together with free Wi-Fi in 50 stores.

In 2012, we opened three new stores (Munlochy, Banchory and Polbeth) and sold one store. In May, milk deliveries changed over to delivery from the Co-op distribution centre in Newhouse and this enabled a selected number of our stores to move to 7-day deliveries, enhancing fresh availability. Other projects were also progressed to increase the efficiency of our back office support processes and improve the management of pricing, stock control and promotions.

Above left: New interior graphics and staff uniforms at a "premium fresh" format store. **Above right:** To promote our use of local speciality suppliers Society staff took part in a bakery day with Edinburgh's Breadwinner Bakery.

Above: Manager, staff and guests at the opening of the award winning "premium fresh" format store in Warrender Park, Edinburgh. **Below:** The local community turned out in large numbers for the opening of our new store at Polbeth, West Lothian.

Semichem Multichannel & The Fragrance House

Above: Our Semichem store in Livingston.

The Semichem group of businesses made progress in 2012, with an improvement in the bottom line result and a managed reduction in stock. This was a robust performance in the context of the non-food retail market and the impact of some of the worst summer weather on record on our seasonal sales in-store. Reports published by The Scottish Retail Consortium showed that like-for-like non-food turnover has fallen every month in 2012 apart from December, with retailers relying on heavy discounting to attract hard pressed consumers into their stores.

Semichem's multichannel strategy aims to exploit a variety of routes to market supported by tight control of the cost of supply and central warehousing. Our e-commerce business continued to increase sales, however further work is required to reduce the cost of customer acquisition and improve customer retention and relationship marketing for this channel. Semichem stores performed ahead of the market in Scotland and saw strong like-for-like growth in England. Northern Ireland was once again the most economically challenged market. In contrast to the summer, the stores enjoyed an uplift in trade over the Christmas period, supported by promotional activity such as discount days and "spend & save" vouchers. Warehouse income increased with the effective use of excess space freed up by the successful reduction in stock levels.

There was strong focus on the control of costs for our branch network with notable success in reducing costs across a wide range of expense types. This focus was supported by negotiations on rents, the closure of 5 loss-making stores and a successful appeal against our business rates liability at the warehouse.

Business development activity continued with a pilot of the Semichem "Local" format in Bathgate subsequently rolled out to a further 10 stores. Range developments included the successful introduction of cigarettes into selected stores and the rollout of new cosmetics fixtures. Marketing activity used traditional channels but also saw increased use of social media such as Twitter, Facebook and blogging. Outdoor marketing activity was used to target major cities and the business was shortlisted for an international award for its innovative "Smelly" bus shelter campaign in Glasgow.

THE FRAGRANCE HOUSE

Following the opening of two new stores in the second half of 2011, total sales grew strongly but the bottom line had to absorb the seasonal impact of these new stores. Although consumers became more selective about discretionary purchases such as perfume, The Fragrance House successfully delivered sales growth in like-for-like stores. The fragrance sector in general was very competitive during the peak Christmas period with a number of key competitors discounting heavily, however the Fragrance House was able to respond with strong promotional activity. The development of relationships with suppliers continued and they have supported the business with a number of in-store training days.

Top, Above & Right: The Semichem "local" format store in Bathgate.
Below: The Beauty Bar in Semichem Livingston.

Funeral

Above & below: The new funeral home in Duke Street, Leith with one of the new funeral vehicles.

Scotmid Funeral had a successful year pursuing a strategy of high quality service, with a focus on the best care and attention to our customers in their time of need. The long-term decline in the death rate and increased competition continued to be factors that impacted on our funeral business. Despite this, another year of growth was achieved with an increased number of funerals conducted.

We invested in a new funeral home in Leith which has performed strongly since opening and exceeded expectations. Other capital investment included a major refurbishment of Thomas Brown in Broxburn, improvement works at three of our Edinburgh funeral homes and the purchase of new vehicles. In line with the Funeral strategy for growth, we continued to research potential sites for new branches and we are pleased to report that a new funeral home in Boswall Parkway, Edinburgh will open in April 2013.

The funeral team continue to actively engage with local communities, participating in a number of community events and supporting the Society's nominated charities. We also continue to assist St Columba's Hospice while they renovate their facilities in Edinburgh.

Property

Above: The newly refurbished flats at Gorgie Road, Edinburgh created from excess retail space. **Below:** The Rosewell House office at Newbridge which is now fully let.

In a challenging market, Scotmid's Property business performed ahead of expectations with an improvement on last year's result. This was another good performance driven by rental income growth from our residential portfolio and a reduction in operational costs. Tenant demand for the Society's Edinburgh flats continues to be strong, underpinned by the shortage of mortgages available to first time buyers. Rental income from the commercial portfolio is under pressure, however a number of good lettings have been achieved in the year including our office development at Newbridge (Rosewell House) which is now fully let.

The annual revaluation of our property investment portfolio resulted in a modest 1% reduction in value. Based on the current outlook there is little prospect of meaningful capital growth from the investment portfolio unless there is an improvement in the underlying economy. Scotmid's strategy continues to be focused on property as a long-term investment supported by a robust income stream.

During the year capital expenditure on the portfolio was focused on a limited number of property developments. This included the completion and letting of three flats created from a conversion of former first floor retail space at Gorgie Road in Edinburgh. Preparatory work has progressed for a project to build a block of nine flats on a Society owned site in Edinburgh. Planning permission was also secured for a proposed development of 18 flats on land owned by the Society in Bathgate.

Corporate Matters and Central Services

Above: The Human Resources Team, part of Central Services, that provided support to a range of business initiatives during the year.

During the year the Society made progress with a number of significant pension matters. The Scotmid Pension Trustee agreed terms with Legal & General for a "buy-in" of future liabilities relating to existing pensioners to reduce risk in the scheme. The Society and the Trustee agreed a new deficit recovery plan following the completion of the latest triennial actuarial valuation. The deficit identified in the valuation was addressed by a recovery plan comprising of an Asset Backed Funding arrangement. Planning and preparatory work was completed for the pension Auto Enrolment requirements that come into effect for the Society in May 2013. As a consequence, the Society decided to close the final salary section of the pension plan (to future accrual). A Retiral Cash Balance (defined benefit) and NEST pension arrangements have been made available for employees to join. The process required to close the final salary section is well advanced and will be finalised later in 2013.

The pension scheme net deficit at the end of January 2013 increased by £3m to £14.4m (using the FRS17 accounting basis). Despite funding provided under the Asset Backed Funding arrangement, the deficit has grown because of a significant increase in estimated pension liabilities resulting from a fall in long term interest rates. The FRS17 current service cost of pensions also increased by £0.5m in the year, suppressing the Society's operating surplus.

A process improvement project was initiated in March 2012 with a dedicated project team seconded from the Society's central support teams. This investment comes at a cost in the short-term but will drive significant benefit for the Society in support of our long-term growth aspirations.

The Central Service teams' main priority in the year was the support of strategic initiatives and the identification of potential process improvements for our trading businesses. Cross functional teams have supported initiatives in the Food Retail business, such as the implementation of the new 'Premium Fresh' store concept and the development of training to support the 'Focus on Fresh' project. These teams have also been heavily involved in projects on local sourcing, availability and our price setting process. Sharepoint, our internal communication portal, has been extended to include all Semichem stores. The Warehouse has benefited from enhanced security measures. Another important area of support in the period was the further integration of the former Botterills stores following on from the successful conversion process completed last year.

Membership Development

Above: A still from the Membership Matters infographic. **Below Left:** Patricia Edington, Membership & Community Manager meets a visitor to the Scotmid stand at the International Co-operative Alliance Expo in Manchester. **Bottom Right:** The Dundee Russian School received a Scotmid Community Grant from the transitional North Regional Committee.

Development of our membership offer has continued with the creation of a "Membership Matters" infographic and the first meetings of Active Members groups in the East and West Regions. Two more issues of Jigsaw, our members' magazine, were distributed, featuring the Scottish and World Ladies Curling champions (Team Muirhead) and Colin Montgomerie.

In November, a new 'members only' area was launched on the Society's website. This area informs members about member meetings, progress on the member card trial and how they can become more actively involved in the Society's democratic process.

Our transitional North Committee has settled in well and has been active in local communities especially through our Community Grant Scheme. The North Region will hold its first AGM for many years on 30 April 2013.

2012 was the United Nations International Year of Co-operatives and Scotmid celebrated this by participating in events such as the Co-operative Carnival at New Lanark and the International Co-operative Alliance Expo in Manchester in October 2012.

The recommendations arising from the review of the Society's relationship with the Scotmid Co-operative Party have now been implemented. A new unified structure for the Scottish Co-operative Party has been created that will be jointly funded by the Society and the Co-operative Group.

Community & Charity Activity

Above: John Brodie and Hollis Smallman present Laura Lee, CEO of Maggie's Centres, with a cheque at the halfway stage of our charity partnership year.

The Scotmid Community Grant Fund continues to go from strength to strength with our Regional Committees approving grants totalling nearly £100,000. These grants were distributed to the local communities and targeted in the following areas – Active Lifestyles; Children & Education; Health Promotion; Fairtrade; Homelessness & Poverty; Arts & Culture; Environment and the Elderly.

As well as the Community Grant Fund, the Society works in partnership with external agencies to help communities. As an example, Scotmid worked in partnership with the Scottish Ambulance Service to deliver two projects: the sponsorship of their staff recognition awards and the roll out of 35 public access defibrillators in our stores across Scotland.

A wide range of community events were also sponsored by Scotmid, for instance the Dundee Relay for Life, Coupar Angus Lark in the Park, Newhaven Festival and the Strathkelvin Talking Newspaper Association. Scotmid continues to promote Fairtrade and with support from the Society, Midlothian became a Fairtrade zone and Portobello a Fairtrade town.

Our partnership with The Princes Trust finished in August last year with a total of £140,000 raised and staff contributing over 3,000 hours of volunteering. In September, Maggie's Cancer caring centres became our new charity partner and since then our customers, members and staff have raised £144,000 for the charity.

POLITICAL DONATIONS

Donations to the Co-operative Party amounted to £13,000. A donation of £11,000 was made to the Scottish Midland Co-operative Party Council.

APPRECIATION

The Directors would like to thank our members, customers and staff for their ongoing and continued support of the business.

Signed on behalf of the Directors

Hollis Smallman – **President**

Harry Cairney – **Vice President**

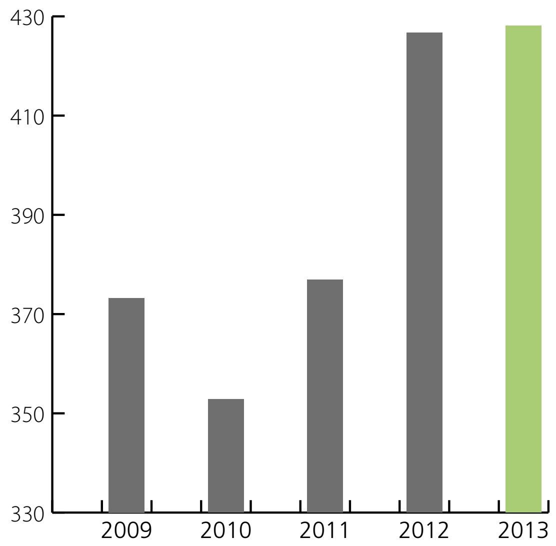
28 March 2013

Clockwise, from top: The Scotmid Ride Across Britain Team, who cycled 960 miles from Land's End to John O'Groats and raised £40,000 for Maggie's; Beach clean volunteers from the Marine Conservation Society who received a community grant to help fund their clean up of the Firth of Forth; The Scottish Ambulance Service Staff Recognition Awards, sponsored by Scotmid; The Broxburn Colts under 11s girls football team with their new strips, made possible by a community grant from Scotmid's West Regional Committee.

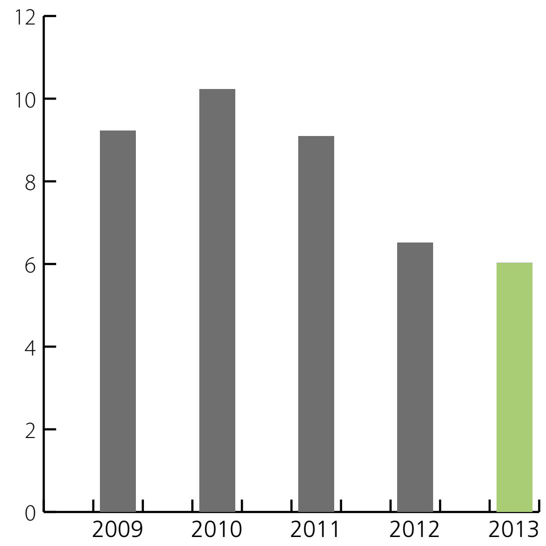
Clockwise, from below: The Auld Reekie Roller Girls who received a community grant to fund a roller derby training day; Isobel, Max and Paul from Munlochy Pre-school on the Black Isle show off their high visibility vests funded by Scotmid to help them walk around the village safely; Rose and Athena from Towerbank Primary School in Portobello promoting 'Feel Good Porty', a community health project launched by Scotmid Co-operative.

	2012-13 52 Weeks	2011-12 52 weeks	2010-11 52 weeks	2009-10 52 weeks	2008-09 53 weeks
number of members	246,687	244,481	241,818	239,749	238,791
	£000	**£000**	**£000**	**£000**	**£000**
turnover	428,091	426,733	376,891	352,857	373,232
operating surplus before exceptionals	6,029	6,529	9,093	10,236	9,235
operating surplus after exceptionals	3,650	4,338	13,346	7,504	11,924
surplus before tax	1,201	2,030	11,166	5,561	9,085
retained surplus	330	1,308	9,582	4,284	6,501
depreciation	9,280	9,282	8,713	7,846	7,333
net finance costs	1,736	1,610	1,516	1,333	2,231
purchase of fixed assets	7,822	7,861	14,034	13,712	14,854
fixed assets	150,057	154,989	163,252	141,191	136,622
net current assets/(liabilities)	2,635	1,464	(2,321)	(10,725)	(17,787)
total assets less current liabilities	152,692	156,453	160,931	130,466	118,835
less long term liabilities	44,357	48,851	50,121	28,456	19,723
less provision for liabilities and charges	-	-	378	416	862
less pension liability	14,391	11,358	10,026	11,509	8,140
net assets	93,944	96,244	100,406	90,085	90,110
share capital	5,312	5,249	5,162	5,094	5,021
revenue reserves	63,083	64,375	64,865	54,470	54,420
revaluation reserve	25,549	26,620	30,379	30,521	30,669
net assets	93,944	96,244	100,406	90,085	90,110

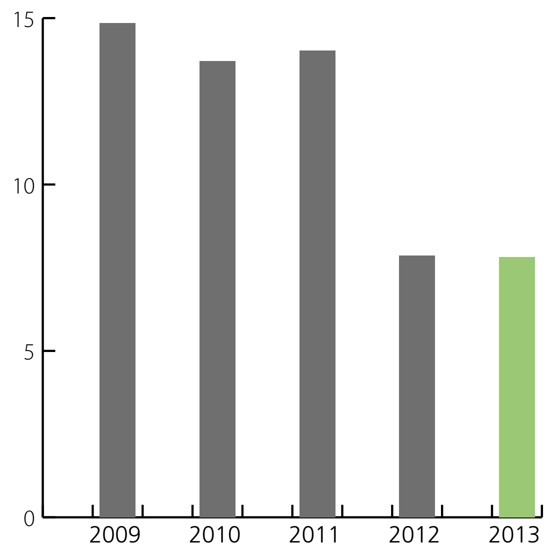
TURNOVER (£ MILLIONS)



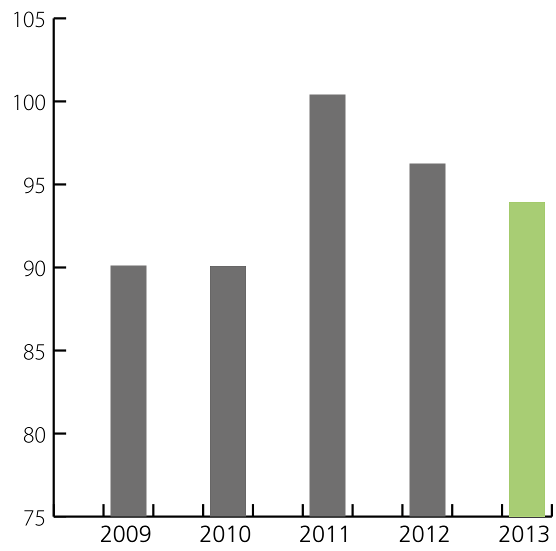
OPERATING SURPLUS
BEFORE EXCEPTIONALS (£ MILLIONS)



PURCHASE OF FIXED ASSETS (£ MILLIONS)



NET ASSETS (£ MILLIONS)



The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Industrial and Provident Society law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. The financial statements are required by the Industrial and Provident Societies Acts 1965 to 2002 to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for the period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002. They are also responsible for the system of internal control, for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GOING CONCERN

The Society's business activities, together with the factors likely to affect the future development, performance and position of the Society, are set out in the Directors' Report on pages 3 to 13. The Board remains satisfied with the Society's funding and liquidity position. The Society meets its funding requirements through a combination of term loans and an overdraft facility (renewable annually). The Board has undertaken a thorough review of the Society's financial forecasts and associated risks. These forecasts extend beyond one year from the date of approval of these financial statements and show that the Society will continue to operate within the terms and financial covenants of its bank facilities.

The Directors consider that the Society has the flexibility to react to changing market conditions and the Society is well placed to manage its business risks successfully despite the uncertain economic outlook. Therefore, after reviewing projections and sensitivities and making all appropriate enquiries, the Directors have an expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Society's financial statements.

GOVERNANCE REPORT

CODE OF BEST PRACTICE

The Society substantially complies with the Co-operatives UK Code of Best Practice, the scope of which is wide ranging. Co-operatives UK have recognised that as co-operative societies differ in scale, size and resources it is inevitable that levels of compliance will differ for acceptable reasons. The Society undertook its annual review of compliance with the Code in April 2012 and is currently considering how the proposals of the revised draft Code of Best Practice will impact upon it. The approach taken to assessing compliance is that societies should review their rules, practices and policies, in the context of what is appropriate for their circumstances, and provide explanations where these do not comply strictly with the code. The following explanations for non-compliance with the Code are therefore provided:

1. Age rule: Directors retire at age 72 rather than the Code of Best Practice recommended age of 68. The Society believes that with advances in healthcare and individuals living longer, fuller lives it is appropriate to adopt a higher age limit.
2. Percentage of Employee Directors on the Board: a maximum of 25% of the total membership of the Board may be employee directors compared with the Code of Best Practice recommended limit of 33%. The Society believes that this more restrictive limit provides enhanced protection for the Society.
3. Interim Accounts: the Society publishes a summary unaudited interim report rather than full interim accounts. This approach is consistent with the changes implemented by the Legislative Reform Order in January 2012.
4. Publicising the AGM: the Board considers the current notification periods and methods to be the most appropriate for our members. The date of the next AGM/OGM is provided on the Notice of Meeting

posted in store and on the Society's website thereby giving a notice period of approximately 5 months. The Notice of Meeting is posted in Scotmid stores 8 clear days before a General meeting.

In each case the Board has satisfied itself that the Society is better served by these specific rules and that they comply with the spirit of the Code.

MEMBERSHIP MATTERS

As a member owned democratic organisation, the Board recognise the importance of encouraging members to play their part in the governance of the Society and to improve membership participation. The Search Committee of the Board is responsible for membership matters including membership strategy and development and they are supported by a Membership Team who promote recruitment, organise membership events and communicate with members.

Details of the membership activities undertaken during the year are contained within the Membership and Community reports on pages 11 and 12.

REGIONAL DEMOCRACY

Members' meetings are advertised in our stores, on our website and in the local press. During the year the Society operated a transitional North Regional Committee consisting of three elected members and five co-opted members. A full review of the committee's progress and achievements was undertaken in late 2012 following which the Board decided to establish a fully operational, democratically elected committee to serve members in the North. The Board has nominated the five co-opted members from the transitional committee to serve on the North Regional Committee and members in the North will have the opportunity to vote for both elected members and Society-wide matters at their first regional AGM in April 2013.

Regional Committee members who meet the qualifying criteria are elected by the membership at the Members' Regional Meetings. Regional Committee members are elected to serve on the Committee for a period not exceeding three years after which they may stand for re-nomination with elections held at the AGM in their region. Regional Committees are also responsible for the nomination of Directors from within the Regional Committee, to represent the members for that region.

BOARD'S ROLE

The role of the Board and the details of the Directors' roles and responsibilities are contained within the Society's Rules which are available to all members on the Society's website or on request. The Board consists of 12 Directors representing members in the Society's core trading area. Regional Committee members nominate Directors but the members exercise their democratic right to directly elect Directors onto the Board. Four retired employees are Board members, there are no recently retired employee Board members and no Board member is employed by the Society.

INTERNAL CONTROL FRAMEWORK

The Board is ultimately responsible for the Society's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Co-operatives UK Corporate Governance Code of Best Practice requires Directors to review the effectiveness of the Society's system of internal controls. The review covers all material controls including financial, operational, compliance and risk management systems in compliance with the Turnbull guidance. Key elements in the Society's adopted internal control framework are detailed as follows. These are considered to be appropriate to the current size and complexity of the Society.

CONTROL ENVIRONMENT

The Society is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. The Society has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Society objectives. There are clear lines of responsibility, delegations of authority and reporting requirements.

INFORMATION AND COMMUNICATION

The Society undertakes periodic strategic reviews which include consideration of long term financial projections and the evaluation of business alternatives. Annual capital and revenue budgets are approved by the Board. Trading performance is actively monitored and reported to the Board on a regular basis. All significant capital projects and Society acquisitions require Board approval. Through these mechanisms, Society performance is continually monitored, risks identified in a timely manner, the financial implications assessed, control procedures re-evaluated and the corrective actions agreed and implemented.

BOARD COMMITTEES

There are four Board Committees, three of which have terms of reference as recommended in the Code: Audit, Remuneration and Search. A review of the terms of reference and composition of the Board Committees was undertaken during the year. The Board considered the skills, experience and contribution which each Director brings to the Board Committee together with their length of service and decided to retain the existing committee structure. Membership of the Board Committees remained the same except for the appointment of a newly elected Director to serve on the Search Committee.

The General Purposes Committee is responsible for addressing general matters not specified in the terms of reference of the above committees.

In early 2013 the Board established a Committee to consider the revised draft Code of Co-operative Governance and its implications for the Society and to review the working practices of the Regional Committees. The impact of any proposed changes will be provided at future members' meetings.

AUDIT

The Audit Committee is responsible for monitoring both internal controls and risk management. It is chaired by a Director who is not the President, consists of four Directors and met three times in 2012/13.

The Society has an Internal Audit Department reporting directly to the Chief Executive. An annual report for 2012/13 has been produced and the audit plan for 2013/14 has been agreed with the Audit Committee. Any control weaknesses identified are highlighted to management and the Audit Committee which monitors Internal Audit activity and ensures that appropriate actions are taken.

The terms of reference agreed by the Board include:

- Consideration of the appointment of the external auditor and the scope of the audit;
- Review of the financial statements and auditors' management letter;
- Review of the internal audit programme and internal audit reports;
- Review of the effectiveness of the Society's internal controls and risk management systems.

The Board and Management Executive are responsible for the identification and evaluation of key risks applicable to the Society. These risks may be associated with a variety of internal or external sources, including control breakdowns, credit and liquidity risks, disruption of information systems, competition, natural catastrophes and regulatory requirements. Risk registers are maintained which highlight the likelihood and impact of risks occurring. These registers are updated at least twice a year and actions necessary to mitigate those risks are considered. This process enables resource to be focused on key risk areas, helping to prioritise activities. The Audit Committee reviews the risks facing the Society twice a year to determine if adequate controls are in place.

The Chair of the Audit Committee reports the outcome of the meetings to the Board and the Board receives the minutes of the Audit Committee meetings.

In line with the Code of Best Practice, the Audit Committee has established a policy of rotating the audit partner every five years. The audit partner was last rotated in 2011. The external audit contract was last put out to tender in 2006.

REMUNERATION

The Remuneration Committee consists of four Directors, none of whom were employees, recently retired employees or the President of the Society. The Committee makes recommendations annually to the Board on executive remuneration. External advice is provided to the Remuneration Committee by an independent advisor, mflhr, to ensure that the remuneration is appropriate to the scale and scope of the business. The Remuneration Committee is also responsible for making recommendations to the Board for the level of Directors' remuneration and expenses. Details of the remuneration of Directors and Management Executive can be found in note 2 to the financial statements. The salary information in the bandings in note 2 provides appropriate disclosure of Board and Management Executive remuneration for the Society although not in the format recommended in Co-operatives UK's best practice.

The Profit Related Pay scheme ensures that there is a link between performance and reward and that the interests of management and staff are aligned with those of the Society and members. All employees are included in the scheme. The importance of attracting, retaining and motivating senior management of appropriate calibre was considered when the scheme was designed.

In respect of the Management Executive a summary of the performance-related bonus schemes is provided below:

1) ANNUAL INCENTIVE SCHEME

All members of the Management Executive are eligible to participate in an annual performance-related bonus scheme. The committee reviews bonus targets and levels of eligibility annually. There is a maximum bonus potential of 50% of base salary for exceeding targets determined by the Board. For Management Executive members with trading unit responsibilities, a significant proportion of the annual incentive is derived from trading unit performance. Targets in the bonus year 2012/13 related to financial performance measured by Society profit and divisional trading profit, as appropriate to the individual's area of responsibility. A discretionary element, based on personal objectives, is also included within the annual bonus scheme, and is part of the maximum bonus potential.

2) LONG-TERM INCENTIVE PLAN (LTIP)

The Society operates an LTIP for the Management Executive in order to align these executives with the Society's longer-term interests. The scheme sets cumulative targets across a three-year period. Each year the committee reviews actual performance compared to target for the latest three year scheme maturing and sets targets for the next three-year period. The maximum payment level under the scheme is 35% of base salary for outperforming targets. Base salary is taken as the salary at year one of the three-year period. The performance measure selected by the committee is average return on capital employed, derived from the Society's three-year business plan.

The Remuneration Committee have overseen the work to change the pension arrangements in readiness for Auto Enrolment. These new arrangements will be implemented during the 2013/14 financial year.

SEARCH

The Search Committee consists of five Directors and is responsible for establishing a process to evaluate the balance of skills and effectiveness of the Board and to consider director succession planning and the composition of Board committees. It is also responsible for membership matters including membership strategy and development.

The development of the Society's transitional North Regional Committee was closely monitored during the year by the Search Committee. A full review of the transitional Committee's progress and achievements was undertaken in November 2012 resulting in the recommendation to fully establish a North Regional Committee. The Board nominated the five co-opted members serving on the transitional North Regional Committee to serve on the new Committee. Members in the North will have the opportunity to vote for both elected members to serve and on Society wide matters at their first regional AGM in April 2013.

Following on from the success of the active membership group in the North Region, similar meetings of members who had expressed an interest in finding out more about the democratic structure of the Society were held during the year in both East and West Regions.

During the year attendance at members' meetings increased and a member information meeting was held in the North Region immediately following the OGM to provide the same information to members living in that region. At the OGM 2012, the composition of the Board changed and members re-appointed one of the former Directors to serve on the Board.

The Board undertook a self assessment of its skills and performance during the year, building upon the feedback received from previous evaluations. As a result the Board agreed to continue with the established two-tier training programme to ensure that elected representatives have knowledge of the core learning areas: finance, legal and co-operative values and principles as well as wider knowledge of the Society and the co-operative business model.

As part of the International Year of Co-operatives an increased number of elected representatives from the Society attended Congress. Development of the Society's website continued during the year with a 'members only' area created to make information specifically for Members more easily available.

For and on behalf of the Board

Hollis Smallman - **President**

John Brodie - **Chief Executive Officer**

John Dalley - **Secretary**

Each year we report on social responsibility using the ten Key Social and Co-operative Performance Indicators recommended by Co-operatives UK to assess performance in this area. Scotmid has a diverse range of operations so these measures are not always readily available or the most relevant for all our individual businesses. To overcome this, estimates are used where appropriate or we use sample data from our Food Convenience business, our most significant trading division.

MEMBER ECONOMIC INVOLVEMENT

Member economic involvement has remained static this year at 13%. This result is based on an independent exit survey conducted by Why Research at a sample of our stores.

MEMBER DEMOCRATIC PARTICIPATION

260 (2011/12 - 130) members attended the Annual General Meeting on 30 April 2012 and 169 (2011/12 - 173) members attended the Ordinary General Meeting on 1 October 2012. An information meeting for members living in the North Region was held on 2 October 2012 and was attended by 41 members. Information given at the OGM held the previous day was presented together with an outline of the progress of the transitional North Regional Committee. One contested election took place in the East.

STAFF AND MEMBER TRAINING

This year 25,000 hours (2011/12 - 31,000) of formal staff training took place, averaging 5.2 hours per employee (2011/12 - 6.2). These hours included 8,700 of e-learning activity (2011/12 - 9,600). The 2011/12 training hours were significantly higher as a result of the additional training needs arising from the Botterills integration. The ongoing training of the former Botterills managers and staff was the most significant element of the Learning and Development programme.

Members actively participated in a total of 321 hours of training compared with last year's total of 333. Fewer elected representatives chose to attend two of the introductory training sessions which are offered on a two year rolling basis. Two newly developed training sessions were provided - one skills based and one to increase the knowledge of the co-operative movement in the UK and internationally. The number of training hours per "active" member (where active membership for training purposes has been defined as the number of members attending the AGM) reduced to 1.23 hours (2011/12 - 2.56 hours) as a result of the significant increase in attendance at members' meetings.

STAFF INJURY AND ABSENTEE RATES

Staff are encouraged to report all accidents, no matter how minor, and these are recorded to ensure that safety standards are maintained and improved. This year we had 16 (2011/12 - 22) reportable accidents equating to 0.3% (2011/12- 0.4%) of the average total workforce. There were also 156 minor injuries (2011/12 - 157), which equates to 3.2% of the average total workforce. This gives a combined total of 3.5% (2011/12 - 3.5%).

The total of 27,637 days lost due to absence equates to an average of 5.7 days per employee which is in line with last year. The Society remains in a favourable position compared to the averages of 6.8 days per employee for private sector services (CIPD June 2012) and 6.2 days for the retail sector.

STAFF PROFILE

Scotmid had an average of 4,832 employees in 2012/13 (2011/12 – 5,004). The staff profile by gender at the year-end was 75% female and 25% male which remains in line with the prior year. Our staff profile by ethnicity is based on a sample of the workforce that responded to a 2006 survey, adjusted for subsequent starters and leavers. This data does not include ex-Botterills staff.

Ethnic Origin	% of workforce
Asian	2.8
Black	0.4
Other	0.1
White	96.7
Total	100

The most up to date census information available is still based on 2001 and reports 98% as the proportion from a white ethnic background in the total population of Scotland. We also asked for disability status and found that 1% of staff surveyed classify themselves as disabled.

CUSTOMER SATISFACTION

The results of the Harris International Marketing survey shows a higher degree of customer satisfaction this year with 78% of customers recorded as being very satisfied compared to 69% last year, however 90% overall are classed as satisfied (2011/12 - 87%). The satisfaction ratings for Scotmid are tracking above the convenience sector overall. The severe weather impact shown in the prior year was not repeated in 2012/13 resulting in an improvement in customer satisfaction ratings.

ETHICAL PROCUREMENT

The majority of the Society's purchases are through the Co-operative Retail Trading Group (CRTG) and therefore we continue to benefit from their purchasing policies. CRTG is committed to the principles of sound sourcing, animal welfare, food integrity, health and ecological sustainability as set out in their Sustainability Report published in 2011.

INVESTMENT IN COMMUNITY & CO-OPERATIVE INITIATIVES

A total of £245,000 (2011/12 - £262,000) was spent on investment in both community and co-operative initiatives, amounting to 4.0% of our operating surplus before exceptional items (2011/12 - 4.0%). £32,000 was invested in co-operative initiatives (2011/12 - £25,000), with the Co-operative Education Trust Scotland continuing to be the main beneficiary.

The Prince's Trust received an additional £65,000 during 2012 concluding a successful partnership with a total of £140,000 raised. Additionally, Scotmid employees provided over 3,000 hours of volunteering on behalf of the Trust, from delivering employability workshops through to mentoring young people during their work placements in store. £144,000 has been raised to date for our new charity partner, Maggie's Cancer Caring Centres, following the launch in September 2012.

THE ENVIRONMENT

Scotmid aims to reduce net greenhouse gas emissions by 20% by 2020 (using 2008 levels as a base). Various initiatives are underway to assist the business in achieving this objective and these include the introduction of smart meters, energy efficient lighting and more efficient refrigeration.

We are again reporting on direct Greenhouse Gas (GHG) emissions in two ways: net emissions (that treat electricity from renewables as zero carbon emissions) and gross emissions (that treat electricity from renewables in the same way as 'brown' electricity). GHG includes carbon dioxide (CO^2), methane (CH^4) and nitrous oxide (N^2O). Carbon dioxide emissions are produced as a direct result of burning fossil fuels.

The Society produced an estimated 2,993 tonnes of GHG (net) from on-site operations compared to 3,054 last year. The gross emissions, which include electricity from a renewable source, are 27,916 tonnes (2011/12 - 28,855 tonnes). This equates to 0.62 tonnes of GHG per employee (2011/12 - 0.61 tonnes of GHG).

PROPORTION OF WASTE RECYCLED/REUSED

Our waste to landfill amounted to an estimated 1,709 tonnes (2011/12 - 1,950) giving a reduction of 12%. Anaerobic digestion is helping to reduce our landfill figures as stores are being converted to this route for food waste on a rolling programme due to be completed in 2013.

Our cardboard recycling uses the same method as previously in that CRTG vehicles collect cardboard and plastic from our Food outlets for recycling and have provided an estimated percentage of the total amount of recycled waste attributable to Scotmid. Semichem outlets backload cardboard to our distribution warehouse for recycling. Our Head Office and Funeral offices recycle cardboard, paper and plastic through our waste uplift provider. As a result we estimate that we have recycled 2,079 tonnes of cardboard, 291 tonnes of plastic/paper/dry mixed waste and 165 tonnes of Food waste to anaerobic digestion.

These figures indicate that the proportion of waste recycled is in the region of 60% (2011/12 - 51%). The combination of a greater degree of recycling, the increased use of anaerobic digestion and the ongoing reduction in packaging by manufacturers has aided overall reduction of waste to landfill.

We have audited the financial statements of Scottish Midland Co-operative Society Limited for the year ended 26 January 2013 which comprise the Statement of Accounting Policies, Group Revenue Account, Group Statement of Total Recognised Gains and Losses, Group Note of Historical Cost Profits and Losses, Group Balance Sheet, Group Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Society's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As explained more fully in the Director's Responsibilities Statement, the Directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 26 January 2013 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Deloitte LLP

Chartered Accountants and Statutory Auditors

Glasgow, United Kingdom

28 March 2013

BASIS OF ACCOUNTING

The accounts are prepared under the historical cost accounting convention as modified by the annual revaluation of investment properties, and under applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently throughout the current and preceding year. The Society's business activities, together with the factors likely to affect its future prospects, are discussed in the Directors' Report on pages 3 to 13. After making enquiries, the Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

ACCOUNTING DATE

The accounts are prepared for the 52 weeks to 26 January 2013 (2012 - 52 weeks to 28 January 2012).

TURNOVER

Turnover includes cash sales, goods sold on credit and property rental income inclusive of value added tax.

INVESTMENTS

Fixed asset investments are stated at cost less any provision for impairment.

INVESTMENT INCOME

Interest and dividends received are accounted for on the basis of cash received during the year.

GOODWILL

Purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years with no charge for amortisation in the year of acquisition. Provision is made for any impairment.

TANGIBLE FIXED ASSETS AND DEPRECIATION

No depreciation is provided on freehold land and assets in the course of construction. For all other tangible fixed assets, depreciation is calculated to write down their cost or valuation to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives, which are considered to be:

- Buildings - 40 years.
- Plant, vehicles and fixtures - between 3 and 10 years.

Investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve except that a deficit which is expected to be permanent or the reversal of such a deficit, is charged (or credited) to the revenue account. On disposal of investment properties, any related balance remaining in the revaluation reserve is transferred to the revenue reserve. Depreciation is not provided in respect of investment properties. The Directors consider that this accounting policy, which is a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 "Accounting for investment properties". The financial effect of this departure is not material.

ASSETS LEASED TO THE SOCIETY

Fixed assets leased under finance leases are capitalised and depreciated over the shorter of the lease term and their expected useful lives. The capital element of future lease obligations is recorded within liabilities, while the finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding. The costs of operating leases are charged to the revenue account as they accrue.

ASSETS LEASED BY THE SOCIETY

Rental income from property is accounted for on the accruals basis.

CAPITALISATION OF INTEREST

Interest costs relating to the financing of major developments are capitalised up to the date of completion of the project.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Provision is made for any damaged, slow-moving and obsolete stock as appropriate.

DEBTORS

Credit account balances are included at gross value, after providing for bad debts.

CONSOLIDATED FINANCIAL STATEMENTS

The group financial statements consolidate those of the Society and its subsidiary Society and companies. In accordance with FRS 9, the group's interest in joint ventures is accounted for using the gross equity method of accounting.

DERIVATIVES

The Society holds derivative financial instruments to reduce exposure to interest rate movements. The Society does not hold or issue derivative financial instruments for speculative purposes.

Derivatives entered into include interest rate swaps, caps and floors. The fair value of interest rate derivatives is the estimated amount that the Society would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

Interest payments or receipts arising from interest rate swaps are recognised within net finance charges in the period in which the interest is incurred or earned.

TAXATION

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. No provision is made for taxation on capital gains deferred under the rollover provisions of the Taxation of Chargeable Gains Act 1992. Deferred tax assets are recognised to the extent that they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

PENSION COSTS

The Society operates a defined benefit funded pension scheme and also contributes to a number of defined contribution schemes.

For the defined benefit scheme, the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the revenue account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other financial costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the revenue account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

SHARE BASED PAYMENT

The Society has applied the requirements of FRS 20 "Share Based Payment". The Society issues equity-settled share-based payment to employees who opt to join the all employee share option plan. Equity-settled share-based payments are measured at fair value at the date of the grant. This is expensed in the revenue account.

EXCEPTIONAL ITEMS

Exceptional items include significant exceptional transactions and material one-off items. The Society considers such items are significant to the Revenue Account and their separate disclosure is necessary for an appropriate understanding of the Society's financial performance.

	notes	2012-13 £000	2011-12 £000
turnover		428,091	426,733
value added tax		(50,200)	(50,474)
sales	22	377,891	376,259
cost of sales		(272,886)	(272,402)
gross profit		105,005	103,857
other income		5,484	5,230
net expenses	1	(107,010)	(105,140)
operating surplus	22	3,479	3,947
operating surplus excluding exceptional expenses		6,029	6,529
exceptional operating expenses	3	(2,550)	(2,582)
operating surplus		3,479	3,947
share of joint venture operating profit	3	127	-
surplus on disposal of fixed assets	3	44	391
surplus before finance charges		3,650	4,338
net finance charges	4	(1,736)	(1,610)
surplus for year before distributions		1,914	2,728
distributions			
share interest		(71)	(70)
grants and donations	5	(642)	(628)
surplus for the year before taxation		1,201	2,030
taxation	6	(871)	(722)
surplus for the year	16	330	1,308

The results shown above relate entirely to continuing operations.

Group Statement of Total Recognised Gains and Losses and Group Note of Historical Cost Profits and Losses *for the year ended 26 January 2013*

	2012-13 £000	2011-12 £000
group statement of total recognised gains and losses		
surplus for year	330	1,308
actuarial loss relating to the pension scheme (net of tax) (note 18)	(1,935)	(1,969)
unrealised loss on investment properties revaluation	(758)	(3,588)
total recognised gains and losses relating to the year	(2,363)	(4,249)

	2012-13 £000	2011-12 £000
group note of historical cost profits and losses		
surplus for year before taxation	1,201	2,030
realisation of property revaluation gains of earlier years	313	171
historical cost surplus for year before taxation	1,514	2,201
historical cost surplus for year after taxation	643	1,479

	notes	£000	2012-13 £000	£000	2011-12 £000
fixed assets					
intangible assets	7		29,959		31,503
tangible assets	8		118,807		122,177
investments	9		1,291		1,309
			150,057		154,989
current assets					
stocks - goods for resale		28,808		29,747	
debtors and prepayments	10	10,868		8,944	
cash at bank and in hand		8,535		7,116	
		48,211		45,807	
current liabilities					
amounts falling due within one year					
creditors	11	(45,576)		(44,343)	
net current assets			2,635		1,464
total assets less current liabilities			152,692		156,453
long term liabilities					
amounts falling due after more than one year					
creditors	12	(44,357)		(48,851)	
			(44,357)		(48,851)
net assets excluding pension liability			108,335		107,602
pension liability	18		(14,391)		(11,358)
net assets	22		93,944		96,244
financed by					
share capital	15		5,312		5,249
reserves	16		88,632		90,995
shareholders' funds	17		93,944		96,244

The financial statements of Scottish Midland Co-operative Society Limited were approved by the Board of Directors and authorised for issue on 28 March 2013. They were signed on its behalf by:

Hollis Smallman **President**
Harry Cairney **Vice President**
John Dalley **Secretary**

	notes	£000	2012-13 £000	£000	2011-12 £000
net cash inflow from operating activities	19		13,445		12,710
joint ventures and associates					
dividends from joint venture			132		-
returns on investment and servicing of finance					
interest received		41		87	
interest paid		(1,296)		(1,394)	
share interest, grants and donations		(713)		(698)	
net cash outflow from returns on investment and servicing of finance			(1,968)		(2,005)
taxation					
corporation tax paid			(279)		(805)
capital expenditure and financial investment					
receipts from sales of investments		16		-	
purchase of investments		(15)		-	
receipts from sales of tangible fixed assets		641		2,148	
payments to acquire tangible fixed assets		(7,055)		(7,593)	
net cash outflow from capital expenditure and financial investment			(6,413)		(5,445)
acquisitions and disposals					
deferred acquisition consideration		(1,050)		(900)	
other acquisitions		(538)		(20)	
cash outflow from acquisitions and disposals			(1,588)		(920)
net cash inflow before financing			3,329		3,535
financing					
bank loans advanced		-		1,500	
repayment of bank loans		(1,500)		(1,500)	
members share capital issued and interest net of withdrawals		63		87	
repayment of finance leases		(473)		(369)	
net cash inflow from financing			(1,910)		(282)
increase in cash	20		1,419		3,253

1. net expenses		2012-13 £000	2011-12 £000
personnel costs		53,849	52,984
occupancy costs (excluding depreciation)		20,883	21,132
depreciation of owned assets		8,748	8,541
depreciation of assets held under finance leases		532	741
amortisation of goodwill		1,862	1,119
operating lease rentals - equipment and vehicles		531	460
fees - directors and committee members		137	153
expenses and delegations - directors and committee members		61	46
auditors' remuneration		85	95
other expenses		17,772	17,287
		104,460	102,558
exceptional items - impairment of goodwill	note 3	-	43
exceptional items - other costs	note 3	2,550	2,539
		107,010	105,140

Included within expenses is £8,044,000 relating to operating lease rentals for land and buildings (2011-12 - £8,240,000).

auditors' remuneration - other services	2012-13 £000	2011-12 £000
tax services	35	48
pension scheme audit	4	4
other services - pension restructuring	92	-
	131	52

2. employees	2012-13 number	2011-12 number
the average number employed was:		
full time	1,415	1,480
part time	3,417	3,524
	4,832	5,004

the costs incurred in respect of these employees were

	£000	£000
wages and salaries	49,560	48,972
social security costs	2,787	2,888
other pension costs	1,502	1,124
	53,849	52,984

2. employees - continued	2012-13	2011-12
directors' emoluments	**£000**	**£000**
the total remuneration of the directors for their board duties was		
fees and delegations	127	145

The total directors' emoluments in the prior year includes a loyalty bonus payable to a director upon his retirement in accordance with the long service loyalty bonus scheme approved by the members.

the number of directors whose emoluments fell into each £2,500 bracket was

	number	number
£2,501 - £5,000	-	2
£5,001 - £7,500	2	-
£7,501 - £10,000	9	9
£12,501 - £15,000	1	1
£15,001 - £17,500	-	1
£17,501 - £20,000	1	-
£27,501 - £30,000	-	1
	13	14

management executive emoluments	**£000**	**£000**
the total remuneration of the management executive was		
wages & salaries	1,074	1,070
taxable benefits	78	80
pension and pension allowance costs	194	198
profit-related pay and long-term incentive scheme	20	5
	1,366	1,353

the number of management executives whose emoluments, excluding pension and benefits fell in each £10,000 bracket was

	number	number
£80,001 - £90,000	1	1
£100,001 - £110,000	1	2
£110,001 - £120,000	1	-
£170,001 - £180,000	1	1
£230,001 - £240,000	1	1
£370,001 - £380,000	-	1
£380,001 - £390,000	1	-
	6	6

3. exceptional items	2012-13 £000	2011-12 £000
goodwill impairment	-	(43)
fixtures & fittings impairment	(547)	(335)
business integration, disruption and rationalisation costs	(1,635)	(2,204)
pension restructuring	(368)	-
	(2,550)	(2,582)
share of joint venture operating profit	127	-
gain on sale of fixed assets	44	391
	(2,379)	(2,191)

Business integration, disruption and rationalisation costs include the impact of the closure of Semichem stores and costs incurred following the temporary closure of a food store. The equivalent costs in the prior year primarily relate to the integration of the Botterills stores during that year.

Restructuring the pension funding arrangements and the Society's pension schemes in advance of Auto Enrolment incurred significant one-off costs during the year.

4. net finance charges	£000	2012-13 £000	£000	2011-12 £000
interest payable				
bank overdraft and loan	1,154		1,240	
finance leases	83		95	
other interest	59		59	
interest cost on pension scheme liabilities	2,889		3,001	
		4,185		4,395
less - interest receivable and investment income				
expected return on pension scheme assets	2,408		2,698	
unlisted investments	37		75	
other interest	4		12	
		2,449		2,785
		1,736		1,610

5. grants and donations	2012-13 £000	2011-12 £000
member relation activities & grants	592	560
donations	50	68
	642	628

6. taxation	**2012-13 £000**	**2011-12 £000**
current taxation		
UK corporation tax charge for the year	456	1,107
adjustment in respect of prior years	18	(219)
joint venture	22	-
total current taxation	496	888
deferred taxation		
origination and reversal of timing differences	412	(26)
adjustment in respect of prior years	(72)	(454)
adjustment due to change of tax rate to 24%	35	314
total deferred taxation	375	(166)
total taxation charge	871	722

factors affecting tax charge for the year

surplus before tax	1,201	2,030
tax on surplus at standard rate of corporation tax in the UK of 24.33% (2011-12 26.3%)	292	534
factors affecting charge for the year		
expenses not deductible for tax	296	505
depreciation in excess of capital allowances	409	446
movement in short term timing differences	(898)	(461)
expenses and income upon consolidation not taxable	310	(19)
chargeable gains	48	108
share of joint venture tax	22	-
adjustments to tax in respect of prior years	18	(219)
effects of other tax rates	(1)	(6)
current tax charge for the year	496	888

No provision has been made for deferred tax on revaluing investment property to its market value. The tax on the gains arising from the revaluation would only become payable if the property were sold without rollover relief being available. These assets are expected to be used in the continuing operations of the business and, therefore, no tax is expected to be paid in the foreseeable future.

No provision has been made for deferred tax on the transfer of properties to Scotmid Pension Limited Partnership. The tax on the gains arising from the transfer would only become payable if the properties were sold outwith the group. These assets are expected to be used in the continuing operations of the group and, therefore, no tax is expected to be paid in the foreseeable future.

Additionally, no deferred tax has been provided in respect of certain historical gains on disposal of fixed assets as such tax would only become payable if the replacement asset is sold without rollover relief being obtained. The tax which would be payable in such circumstances has not been quantified in the absence of March 1982 values.

7. intangible assets

goodwill	£000
cost	
29 January 2012	52,083
acquisitions	318
26 January 2013	52,401
amortisation	
29 January 2012	20,580
provided for the year	1,862
26 January 2013	22,442
balance at 26 January 2013	29,959
balance at 29 January 2012	31,503

The goodwill acquired in the year relates to the acquisition of three food stores. The total consideration of £538,000 is allocated as follows: £318,000 goodwill, £190,000 tangible fixed assets and £30,000 stock.

8. tangible fixed assets

	land & buildings £000	investment properties £000	plant vehicles & fixtures £000	total £000
cost or valuation				
29 January 2012	29,035	62,580	105,003	196,618
additions	160	647	7,015	7,822
disposals	(38)	(419)	(4,132)	(4,589)
reclassification	46	(46)	-	-
revaluation	-	(758)	-	(758)
26 January 2013	29,203	62,004	107,886	199,093
depreciation				
29 January 2012	9,812	-	64,629	74,441
provided for the year	680	-	8,600	9,280
disposals	(38)	-	(3,944)	(3,982)
impairment	-	-	547	547
26 January 2013	10,454	-	69,832	80,286
balance sheet value at 26 January 2013	18,749	62,004	38,054	118,807
balance sheet value at 29 January 2012	19,223	62,580	40,374	122,177

The net book value of the group's fixed assets includes £1,577,000 (2011-12 - £1,982,000) in respect of assets held under finance leases. All assets classified as Land & Buildings are freehold properties. All assets under finance leases are held within plant, vehicles & fixtures.

The impairment charge in the year relates to the carrying value of tangible fixed assets in a small number of stores. Following a review of their trading performance it was determined that the remaining net book value should be written off.

Investment properties were independently valued by D M Hall Chartered Surveyors as at 26 January 2013 at open market value on the basis of existing use, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The valuation was arrived at on the basis of an inspection and survey of a sample of the Society's investment properties.

The net book value of the group's fixed assets includes £13,587,000 of properties held by Scotmid Pension Limited Partnership. These properties provide security for the Asset Backed Funding arrangement put in place during the year.

9. fixed asset - investments	2012-13 £000	2011-12 £000
unlisted shares		
Co-operative Group shares	1,252	1,252
other I & P Societies	1	1
others	27	18
joint ventures	3	30
	1,283	1,301
listed shares		
others	8	8
	1,291	1,309

The market value of the listed investments at 26 January 2013 was £28,000 (2011-12 - £24,000).

The group's significant subsidiary undertakings include Botterills Convenience Stores Limited and Scotmid Pension Limited Partnership. The assets and activities of the subsidiary undertakings are included in these group accounts.

The group has an interest in two joint ventures. The principal activity of these companies is property development, they are incorporated in Great Britain and registered in Scotland. The Society's investment value in Scotmid - Miller (Great Junction Street) Limited and Scotmid - Bett (Fountainbridge) Limited represents 50% of the net assets/liabilities of the companies. The most recent balance sheets of the companies are shown below.

	Scotmid - Miller (Great Junction Street)		Scotmid - Bett (Fountainbridge)	
	2012-13 £000	2011-12 £000	2012-13 £000	2011-12 £000
gross assets	6	29	12	42
gross liabilities	(15)	(34)	-	(7)
net assets	(9)	(5)	12	35
Society loan to joint venture	-	-	-	-
net investment	(9)	(5)	12	35

On 30 January 2003 the Society entered into certain guarantees in respect of obligations of Scotmid - Miller (Great Junction Street) Limited under its financing arrangements. In the event of a failure by Scotmid - Miller (Great Junction Street) Limited to meet certain obligations the guarantees require the Society (along with its joint venture partner) to meet any shortfall in interest payments, to fund any project cost overruns and to procure the completion of the project. On the basis that the property development within this joint venture has completed, no significant further liabilities are expected to arise.

10. debtors and prepayments due within one year	2012-13 £000	2011-12 £000
trade debtors	415	426
prepayments and other debtors	9,641	8,151
deferred tax (see note 14)	812	367
	10,868	8,944

11. creditors falling due within one year

	2012-13 £000	2011-12 £000
trade creditors	18,077	20,295
holiday pay	720	821
VAT	1,993	1,928
other sundry creditors	5,520	4,733
accrued charges	13,044	12,511
PAYE and social security	702	736
bank loan (see note 12)	2,500	1,500
deferred consideration	1,950	1,050
obligations under finance leases (see note 12)	507	401
corporation tax	563	368
	45,576	44,343

12. creditors falling due after more than one year

	2012-13 £000	2011-12 £000
bank loans	36,875	39,375
deferred consideration	5,400	7,350
obligations under finance leases	1,151	1,152
other creditors	931	974
	44,357	48,851

borrowings are repayable as follows:

	2012-13 £000	2011-12 £000
bank loans		
between one and two years	2,500	2,500
between two and five years	28,500	29,500
after five years	5,875	7,375
	36,875	39,375
on demand or within one year	2,500	1,500
	39,375	40,875
finance leases		
between one and two years	535	388
between two and five years	616	764
	1,151	1,152
on demand or within one year	507	401
	1,658	1,553
deferred consideration		
between one and two years	2,700	1,950
between two and five years	2,700	5,400
	5,400	7,350
on demand or within one year	1,950	1,050
	7,350	8,400
total bank loans, deferred consideration, and finance leases excluding bank overdraft		
between one and two years	5,735	4,838
between two and five years	31,816	35,664
after five years	5,875	7,375
	43,426	47,877
on demand or within one year	4,957	2,951
	48,383	50,828

The above bank loans are secured by a standard security over specific properties held by the Society and a bond and floating charge over the remaining assets held by the group, excluding certain properties held by Scotmid Pension Limited Partnership.

The finance leases are secured on the assets to which they relate.

13. derivatives

The following table sets out the fair value for those derivatives that have not been included in the financial statements at fair value

derivative financial instruments held to manage interest rates	book value 2012-13 £000	book value 2011-12 £000	fair value 2012-13 £000	fair value 2011-12 £000
interest rate derivatives	-	-	(425)	(446)

The Society's interest rate derivatives have been taken out to hedge interest rate risk on the bank loan. The Society does not enter into derivatives for speculative purposes.

14. deferred taxation

	£000
balance at 29 January 2012	367
revenue account credit	445
balance at 26 January 2013	812

The deferred tax balance is an asset and consequently, the balance is disclosed in note 10.

The transfer from the pension liability was realised following the establishment of the Asset Backed Funding arrangement.

the provision for deferred tax consists of the following amounts	2012-13 £000	2011-12 £000
capital allowances in excess of depreciation	570	144
other timing differences	242	223
	812	367

During the year, the UK corporation tax rate of 23% was substantively enacted, this reduced rate will be effective from 1 April 2013. The relevant deferred tax balances have been re-measured accordingly.

A further reduction of the UK corporation tax rate has been announced which will reduce the rate to 22% from 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

15. share capital

	2012-13 £000	2011-12 £000
at beginning of year	5,249	5,162
interest	71	70
contributions	134	147
	5,454	5,379
withdrawals	(142)	(130)
at end of year	5,312	5,249

(i) share capital comprises 5,312,000 shares (2011-12 - 5,249,000) of £1 attracting interest at 1.5%.

(ii) shares are withdrawable on periods of notice in accordance with the Society's Rules (Rule 13), however, the directors retain the right to refuse redemption.

(iii) each member is entitled to one vote.

16. movement on reserves

	revenue reserve £000	revaluation reserve £000	total £000
at 29 January 2012	64,375	26,620	90,995
surplus for year	330	-	330
transfer of realised revaluation arising on disposal of properties	313	(313)	-
loss on revaluation of properties	-	(758)	(758)
actuarial loss relating to the pension fund (net of tax)	(1,935)	-	(1,935)
at 26 January 2013	63,083	25,549	88,632

17. reconciliation of movements in shareholders' funds

	2012-13 £000	2011-12 £000
surplus after taxation	330	1,308
other recognised losses relating to year	(758)	(3,588)
contributions and interest less withdrawals of members' capital during year	63	87
actuarial loss relating to the pension fund	(1,935)	(1,969)
net movement in shareholders' funds	(2,300)	(4,162)
opening shareholders' funds	96,244	100,406
closing shareholders' funds	93,944	96,244

18. accounting for pension costs

The Society contributes to a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the Society in independently administered funds. The costs relating to these schemes of £28,000 (2011-12 - £58,000) are included within note 2. The Society has given notice to participating employees of its intention to cease contributions to these schemes and offer alternative pension arrangements. Contributions will cease during 2013-14.

The Society operates a defined benefit funded pension scheme, the Scottish Midland Co-operative Society Pension Plan. The scheme has two sections, the Final Salary section and the Retiral Cash Balance section. The Final Salary section is closed to new entrants and remains active, however the Society has embarked on a process intended to cease future accrual in the Final Salary section. The Final Salary section is expected to cease future accrual during 2013-14. The Retiral Cash Balance section became available to new entrants, subject to membership criteria, from 1 March 2013.

The disclosures below are as at 26 January 2013 and as such do not include the impact of the changes to the Society's pension arrangements. The most recent full actuarial valuation was carried out at 29 January 2011. The actuarial valuation method used was the projected unit method. The actuarial assumptions which had the most effect on the result of the valuation were those relating to the rate of return on investments and the rate of increases in salaries and pensions. It was assumed that the investment return would be 6.8% pre retirement and 4.9% post retirement per annum, that the rate of salary growth would be 4.35% per annum, and the rate of pension increase for service between 05/04/97 and 05/04/05 would be 3.35% per annum, and from 06/04/05 would be capped at 2.5% per annum. At the date of review, the market value of the funds' assets was £39,330,000 and the actuarial value of the assets represented 77.8% of the actuarial value of all benefits accrued to members at that date, after allowing for future wage increases.

Employer contributions recognised for the year of £1,687,000 (2011-12 - £2,610,000) include a special contribution of £Nil (2011-12 £1,800,000) and funding of £969,000 from the Asset Backed Funding arrangement established during the year. The £969,000 funding is the annual amount derived from an £11,223,000 contribution made during the year under the Asset Backed Funding arrangement. The employer contributions recognised during the year and the previous year are in line with the agreed Schedule of Contributions from the 29 January 2011 and the 26 January 2008 valuations, respectively. Employer contributions and funding for 2013-14 are estimated to be £760,000 and £969,000 respectively.

This valuation has been updated by the actuary to 26 January 2013 in order to comply with FRS 17.

18. accounting for pension costs - continued

the major assumptions used by the actuary were		at 28 Jan 2012	at 29 Jan 2011	at 30 Jan 2010
rate of increases in salaries		3.85%	4.40%	4.90%
rate of increases in pensions accrued post 05/04/97	LPI 5% (RPI)	3.10%	2.90%	3.30%
	LPI 2.5% (RPI)	2.30%	2.30%	2.40%
rate of increase in deferred pensions	LPI 2.5% (RPI)	n/a	n/a	2.50%
	LPI 2.5% (CPI)	2.40%	2.20%	n/a
discount rate		4.50%	4.85%	5.60%
inflation assumption		3.10%	2.90%	3.40%
expected return on the scheme assets		5.46%	6.88%	6.65%
life expectancy	male	85.4 years	85.4 years	85.4 years
	female	89.5 years	89.5 years	88.5 years

The fair value of the assets in the scheme, the present value of liabilities in the scheme and the expected rates of return at each balance sheet date were

	2012-13		2011-12		2010-11	
	expected long term rate of return %	fair value £000	expected long term rate of return %	fair value £000	expected long term rate of return %	fair value £000
equities	6.6%	22,132	6.5%	18,922	8.1%	19,817
bonds	4.2%	-	4.7%	25,971	5.6%	19,708
other	1.5%	759	1.5%	(52)	1.5%	(195)
asset backed funding arrangement contribution	1.5%	969	-	-	-	-
buy-in	4.5%	23,119	-	-	-	-
total market value of assets	5.38%	46,979	5.5%	44,841	6.86%	39,330
present value of scheme liabilities		(64,440)		(59,985)		(53,064)
deficit in scheme		(17,461)		(15,144)		(13,734)
related deferred tax asset		3,070		3,786		3,708
net pension liability		(14,391)		(11,358)		(10,026)

In setting the expected return on the assets as at 26 January 2013, we have taken into account the yields on government bonds and quality corporate bonds and the views of JLT in-house investment consultancy practice.

The deferred tax asset is determined by the deficit in the scheme recognised in the Society accounts. The deficit recognised by the Society of £6,547,000 is lower due to different accounting treatment of the Asset Backed Funding arrangement in the Society and the group accounts.

analysis of the movement in the scheme deficit in the year	2012-13 £000	2011-12 £000
opening deficit in the scheme	(15,144)	(13,734)
current service cost	(1,483)	(1,092)
contributions	1,687	2,610
net financing charge	(481)	(303)
actuarial loss	(2,040)	(2,625)
closing deficit	(17,461)	(15,144)

18. accounting for pension costs - continued

amounts included within operating surplus	2012-13 £000	2011-12 £000
current service cost	1,483	1,092

amounts included in other finance costs	£000	£000
expected return on pension scheme assets	(2,408)	(2,698)
interest cost on pension scheme liabilities	2,889	3,001
net finance cost	481	303

reconciliation of present value of scheme liabilities	£000	£000
opening defined benefit obligation	59,985	53,064
service cost	1,483	1,092
interest cost	2,889	3,001
contributions by employees	472	504
actuarial losses	2,085	4,815
benefits paid	(2,474)	(2,491)
closing defined benefit obligation	64,440	59,985

reconciliation of present value of scheme assets	£000	£000
opening fair value of the scheme assets	44,841	39,330
expected return	2,408	2,698
actuarial gains	45	2,190
contributions by employer	1,687	2,610
contributions by employees	472	504
benefits paid	(2,474)	(2,491)
closing fair value of the scheme assets	46,979	44,841
actual return on scheme assets	2,453	4,888

18. accounting for pension costs - continued

history of experience gains and losses

	2012-13 %	2012-13 £000	2011-12 %	2011-12 £000	2010-11 %	2010-11 £000	2009-10 %	2009-10 £000	2008-09 %	2008-09 £000
defined benefit obligation		(64,440)		(59,985)		(53,064)		(51,083)		(38,495)
scheme assets		46,979		44,841		39,330		35,098		27,190
deficit		(17,461)		(15,144)		(13,734)		(15,985)		(11,305)
actual return less expected return on pension scheme assets	0.1%	45	4.9%	2,190	3.5%	1,384	16.1%	5,655	(31.0%)	(8,431)
experience losses and gains arising on the scheme liabilities	0.0%	(18)	2.1%	1,270	(0.7%)	(348)	0.4%	202	11.6%	4,484
changes in assumptions underlying the value of scheme liabilities	(3.2%)	(2,067)	(10.1%)	(6,085)	0.0%	(8)	(23.1%)	(11,801)	10.3%	3,962
actuarial (loss)/gain before tax	(3.2%)	(2,040)	(4.4%)	(2,625)	1.9%	1,028	(11.6%)	(5,944)	0.0%	15

amounts taken to the statement of total recognised gains and losses

	2012-13 £000	2011-12 £000
actual return less expected return on pension scheme assets	45	2,190
experience (losses)/gains arising on the scheme liabilities	(18)	1,270
changes in assumptions underlying the value of scheme liabilities	(2,067)	(6,085)
actuarial loss before tax	(2,040)	(2,625)
net cumulative actuarial losses since 25 January 2003	(16,483)	(14,443)

19. cash flow statement : reconciliation of surplus on ordinary activities to net cash inflow from operating activities

	2012-13 £000	2011-12 £000
operating surplus	3,479	3,947
depreciation charges	9,280	9,282
impairment of fixed assets	547	335
amortisation of goodwill	1,862	1,119
impairment of goodwill	-	43
decrease/(increase) in stocks	969	(212)
(increase)/decrease in debtors	(1,477)	367
decrease in creditors	(1,011)	(653)
movement in pension liability	(204)	(1,518)
net cash inflow from operating activities	13,445	12,710

20. cash flow statement : reconciliation of net cash flow to movement in net debt

	£000	£000
increase in cash for year	1,419	3,253
cash outflow from decrease in debt and lease financing	1,973	369
change in net debt resulting from cash flows	3,392	3,622
new finance leases	(577)	(265)
movement in net debt for the year	2,815	3,357
opening net debt	(35,313)	(38,670)
closing net debt	(32,498)	(35,313)

21. cash flow statement : analysis of net debt

	at 29 Jan 2012 £000	cash flow £000	other non cash changes £000	at 26 Jan 2013 £000
cash at bank and in hand	7,116	1,419	-	8,535
debt due after 1 year	(39,375)	-	2,500	(36,875)
debt due within 1 year	(1,500)	1,500	(2,500)	(2,500)
finance leases	(1,554)	473	(577)	(1,658)
	(42,429)	1,973	(577)	(41,033)
total	(35,313)	3,392	(577)	(32,498)

22. segmental reporting

	sales		operating surplus		net assets	
	2012-13 £000	2011-12 £000	2012-13 £000	2011-12 £000	2012-13 £000	2011-12 £000
class of business						
retail / wholesale	373,212	371,613	1,785	2,265	31,940	33,664
property	4,679	4,646	1,694	1,682	62,004	62,580
continuing	377,891	376,259	3,479	3,947	93,944	96,244

23. operating lease commitments

At 26 January 2013 the commitment to make payments during the next year in respect of operating leases was as follows

	land & buildings 2012-13 £000	plant vehicles & fixtures 2012-13 £000	land & buildings 2011-12 £000	plant vehicles & fixtures 2011-12 £000
leases which expire				
within one year	1,535	58	610	35
within two to five years	4,025	490	2,215	441
after five years	3,090	-	5,870	-
	8,650	548	8,695	476

Notice is hereby given that an Annual General Meeting of the Society will be held on Monday, 29 April 2013 at 7.00pm at the following locations: The Hilton Edinburgh Grosvenor Hotel, Grosvenor Street, Edinburgh, EH12 5EF and South Lanarkshire Council Headquarters, Almada Street, Hamilton, ML3 0AA and on Tuesday 30 April 2013 at 7.00pm at the Northern Hotel, 2 Clerk Street, Brechin, Angus, DD9 6AE.

AGENDA OF BUSINESS

1. Synopsis of Minutes of Ordinary General Meetings held on 1 October 2012

2. Appointment of Tellers

3. Elections for Regional Committees
   Member nominees:
   East 4 Members to serve for 3 years;
   North 1 Member to serve for 3 years;
   West 4 Members to serve for 3 years
   Board nominees:
   North 2 Members to serve for 1 year, 1 Member to serve for 2 years and 2 Members to serve for 3 years

4. Directors' Report/Annual Accounts

5. Synopses of Minutes of Board Meetings

6. Consideration of remuneration for Office Bearers and Directors:
   Present remuneration (per annum):
   Central Board President £10,565; Vice President £7,530; Directors £5,195;
   Regional Committees Chair £3,080; Vice Chair £2,545; Treasurer £2,390;
   Minute Secretary £2,230; Committee Members £2,125; Tellers £5

7. Consideration of scale of Directors' Delegations and Attendance payments:
   Present Scale Day Payment £105; Part Day Payment £65; Attendance Payment £35

8. Scottish Co-operative Party Update

9. Membership & Community Development Report

10. General business

ADMISSION TO GENERAL MEETING

Members will be required to register to attend the meeting by completing and returning the application form on the Society's website or by telephoning a member of the Community & Membership Team on 0131 335 4433. The deadline for registration is Monday 22 April 2013 at 4.00pm.

Members will be admitted to the meeting by presenting their admission ticket and Share Book. Members will be eligible to vote if they have held a minimum shareholding of £1 for a qualifying period of at least 6 calendar months from the date of their admission to membership. Only Members whose principal residential address lies within the geographic boundaries of that region will be entitled to vote for individuals to represent that region unless approval is granted by the Secretary in advance of the meeting. The meetings will start at 7.00pm prompt, late entry will not be permitted.

The next General Meetings (Ordinary General Meetings) will be held on Monday 30 September 2013 in Edinburgh and Hamilton and on Tuesday 1 October 2013 in Brechin.

Board Directors	Board	General Purposes	Audit	Remuneration	Search
Mr H Smallman (P)	14	4 (C)			4(C)
Mr H Cairney (VP)	11	3		3(C)	
Mr J Anderson	14		3		
Mr I Bailey	14		2		4
Mr P Devenney	14				4
Mr J Gilchrist	13			3	
Mr D Jamieson (to 1/10/12)	10				2
Mr T McKnight	13	4	3		
Mr J Miller	14			2	
Mr D Paterson (A 1/10/12)	4				1
Mrs G Smallman	13				4
Mr J Watson	13		3 (C)		
Miss A Williamson	14	3		3	
Total meetings held	14	4	3	3	4

KEY

P = President VP = Vice President MS = Minute Secretary T = Treasurer C = Committee Chair VC = Vice Committee Chair
A = Appointed R = Resigned

DIRECTORS

At the OGM held on 1 October 2012, Mr Devenney, Mr Watson and Miss Williamson were re-elected by the members to serve as Directors for a further 3 year term of office and as a result of a contested election Mr Paterson was elected by the members to serve as a Director. Mr Paterson was appointed to the Search Committee on 19 November 2012 in place of Mr Jamieson.

Mr Anderson is a Director of Co-operatives UK. Mr Smallman, Mr Cairney, Mr Jamieson and Mr Paterson are Directors of Scotmid Pension Trustee Limited, the sole trustee of the Scottish Midland Co-operative Society Limited Pension Plan.

East Regional Committee	
Miss A Williamson (C)	10
Mr H Cairney (VC)	9
Mr D Paterson (MS) *	10
Mr K Kelly	9
Mr J Mackenzie *	11
Mr J Miller	10
Mr D Reid	11
Mrs J Reid	11
Mr D Jamieson *	11
Mrs G Smallman	11
Mr H Smallman	12
Mr E Thorn (A 30/4/12) *	7
Total meetings held	12

West Regional Committee	
Mr T McKnight (C) *	11
Mr J Watson (VC) *	12
Mr J Gilchrist (T)	12
Mr M Ross (MS)	9
Mr I Bailey	11
Mr P Devenney	11
Mr I Gilchrist	12
Mrs M Kane	9
Mr R Kelt *	10
Mr D Muirhead	10
Mr G Randell (A 30/4/12)	7
Mr A Simm *	11
Total meetings held	12

Transitional North Regional Committee	
Mr J Anderson (C)	10
Mrs M Smith (MS)	9
Mrs A Anderson *	8
Mr A Cullen ◊	8
Mrs S Downie ◊	10
Dr R McCready ◊	9
Mr A Maclean ◊	10
Mr A Stokes ◊	8
Total meetings held	10

REGIONAL COMMITTEE MEMBERS

* Regional Committee Members due to retire by rotation in April 2013 and were nominated for re-election at the OGM 2012.

◊ Co-opted Regional Committee Members nominated by the Board for election to the North Regional Committee.

SCOTMID
co-operative