



Scottish Midland  
Co-operative Society Ltd

# Annual Report & Financial Accounts

for year ended 27 January 2018



**Scotmid**  
co-operative

ADVISORS AND REGISTERED OFFICE

**Independent Auditor**

KPMG LLP

**Bankers**

The Royal Bank of Scotland plc

**Solicitors**

Anderson Strathern WS

**Registered Office**

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

Society Registration Number SP2059RS

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## Board of Directors



Harry Cairney  
President



John Anderson



Sheila Downie



Iain Gilchrist



Tom McKnight



Jim Watson  
Vice President



John Miller



David Paterson



Michael Ross



Andy Simm



Grace Smallman



Eddie Thorn



Alexandra Williamson

For Board and Committee attendance see pages 50-51.

## Management Executive



John Brodie  
Chief Executive Officer



John Dalley  
Chief Financial Officer  
& Secretary



Stewart Dobbie  
Head of Innovation  
& Change



Maurissa Fergusson  
Head of Property &  
Facilities



Steve McDonald  
Head of People &  
Performance

# Overview



Above: Society Director, John Anderson (centre) celebrates the first ever Community Connect Award with the winning community group "18 and Under" from Dundee.

## The Directors are pleased to present their report for the 52 weeks ended 27 January 2018.

During the year the Society experienced unprecedented external cost increases (£2m) and mixed retail market conditions which were mitigated by a range of positive actions to deliver a solid trading profit of £4.8m compared to £5.3m last year. Society turnover reduced by £2.5m to £374m as a result of the sale or closure of some loss-making stores. A very successful diversification of our property investment portfolio and a strong residential property market in Edinburgh helped the Society's asset base to grow by £8m re-enforcing the strength of the Society's £99.6m balance sheet.

In the year ending January 2018, the Scottish Retail Consortium reported average like-for-like sales up by only 0.3%; a mixed picture with growth in food offset by a very challenging non-food market. Scotmid's food business had a sound performance with sales growth underpinned by food-to-go, however the main challenge was the weight of external cost increases. The impact of the Scottish rates revaluation and Apprenticeship Levy "tax" added extra pressure on top of UK wide cost rises such as the National Living Wage. Semichem sales and cost initiatives helped to mitigate the pressure on margins from the weaker pound in the poor non-food market for retailers. The closure of loss-making Semichem stores and the trial of a new concept store represented an initial step to realign the business and provide a sustainable solution to the challenges of today's retail market.

Scotmid Property performed strongly with rental income at record levels, achieved in the year when the Society completed a major sale and reinvestments in-line with our diversification strategy. Scotmid Funerals had a strong finish to the year recovering from a challenging first half.

The primary focus of co-operative development activity for the Society in 2017 was our Community Connect scheme. After success in the North Region, the trial has been extended to the West Membership Region with an encouraging number of new members joining the Society. Based on member feedback we are also trialling a potential enhancement to the scheme in the North Region with both in-store and AGM voting made available.

Last year-end we highlighted the external cost pressures faced by the Society. The Society delivered another solid response to these challenges despite a largely unhelpful retail market, particularly for Semichem. Although some of the significant political uncertainties eased there is still the cloud of an uncertain Brexit hanging on the horizon. The Society also continues to face increasing levels of regulation, all of which add cost. We expect 2018 to be yet another difficult year for retailers generally with ongoing structural changes and no significant easing of cost challenges and more regulatory changes. The resilience we have shown over the last few years will continue in 2018 as we tackle both new and existing challenges, using our continuous improvement philosophy.

# Food Retail



Above: The refurbishment of the Thornhill Foodstore included the new Kitchen backline

The food convenience business bore the brunt (£1.9m) of the external cost increases in the year, driven by the National Living Wage, Apprenticeship Levy, increased business rates and pensions auto-enrolment. The Society responded to this challenge with our “make it simple” programme. This is an ongoing project to reduce unproductive tasks and implement process simplification and efficiency improvements. “Make it simple” initiatives completed in the period included the installation of upgraded cash solutions in 51 stores, new stock handling trolleys in 160 stores, which help to reduce double handling and self-checkout tills in another 24 stores.

In a very competitive market, sales in our convenience stores

were driven by the continued benefit of an improved Coop product range and offer, together with our own Scotmid product differentiation programme. Food-to-go was the main focus of the differentiation programme, helping the business to deliver growth in like-for-like sales. Sales also benefited from a programme of activity including additional promotional space, locally sourced products across key categories and support for the Scottish Government’s “Eat Better Feel Better” campaign.

Our food-to-go range was further developed in the year, supported by an investment in store infrastructure. Scotmid’s market-leading bacon roll and coffee offer was heavily promoted to increase awareness. Upgraded “backline” store preparation

## The year in summary



Children from Gallowhill Primary School helped us celebrate reaching the £136,000 fundraising mark for Childline.



Scotmid supported Edinburgh Fairtrade Festival 2017.



areas have now been installed in 183 stores, which has enabled us to trial new offers of soup, baguettes, slushee, hot chicken and hotdogs (pictured above). This has been supported by a comprehensive programme of food-to-go training.

The Coop buying group's "range reset" programme was completed successfully and during the year we adapted to changes in the Coop distribution network including flexible store delivery times and the re-alignment of fresh food picking.

As well as investment in food-to-go infrastructure the Society continued to invest in the general store estate. A number of stores were re-fitted in the year, including work focused on

the alignment of our fresh offer and a major extension to one of our stores in East Calder. The energy efficiency drive continued with new ceiling lights, LED signage and fridge lights being installed across the estate. We have also invested in additional selling footage across the stores including side-stacks, increased promotional shelving and the introduction of wine towers (pictured above).

Overall, it has been a busy year for the Society's food convenience business managing the significant challenge of the external cost pressures in a highly competitive market.

## February - March 2017



Scotmid helped Chapelhall allotments to grow through the Community Grant Scheme.



Scotmid scooped two Scottish Grocer Awards.



# Semichem



The non-food retail market in Scotland was very challenging with average like-for-like non-food sales reported by the Scottish Retail Consortium down by an average of 3.1% in the Society's financial year. Weak consumer confidence and rising inflation has taken its toll on non-discretionary spend this year, particularly for high street retailers. In the health & beauty and household market, Semichem is positioned in a better place than many others but is not immune to the pressures on the high street. So in this challenging year it was important for Semichem to respond with tight control of the cost base and careful management of the balance between driving sales or margin. Our major suppliers also reacted to the market uncertainty by consolidating their brands, increasing prices and tightly managing stocks of new product and clearance lines.

Semichem continued to benefit from growth in the sales of private label ranges and earlier in the year a number of our stores in Northern Ireland experienced growth in cross-border trade due to the weaker pound. Overall, with the careful management of deeply discounted customer offers, the business delivered a like-for-like sales performance well ahead of the non-food market. In addition, in-store efficiencies

together with savings in business rates and advertising have helped to offset the increase in costs from the National Living Wage and the Apprenticeship Levy. Central buying and stock management support has also been simplified. Negotiations have continued to reduce rents but where not agreed, it has been necessary to take the difficult decision to close loss-making stores.

A review of the brand proposition, product offer and the supply chain has commenced, supported by the first store trial with a refit of our Bathgate Store (pictured above). Work started with a range review and a managed reduction of product lines, bringing simplification and in-store productivity benefits and helping to reduce stock by over £2m. The decision was also taken early in 2017 to focus on our stores so the Semichem on-line offer has been converted to a promotional website.

Other investment in the Semichem business in the year included nine mini-refits, renewal of the distribution vehicle fleet with more environmentally friendly trucks and the installation of ATM's in 15 stores. Investment was also made in new hands-free headsets and changes to the layout of stock in the warehouse to increase picking rates and enhance productivity.

## The year in summary



The Community Connect trial in the North was launched by cyclist Mark Beaumont.



Scotmid wheel-y helped St Andrew's First Aid's Cycle Squad with 15 new bikes.



Scotmid was awarded the Shopper's Most Trusted & Ethical Convenience Retailer for 2017.



# Funeral



Scotmid Funeral staff took part in filming for a television advert that ran during the autumn and winter.

Scotmid Funerals had a slow start in the first half but recovered in the second half with a strong finish to the year. Growth in the second half appears to have been driven by market factors but was also supported by increased advertising. In-line with the market trend, our competitively priced funerals became more popular with our clients.

Scotmid's funeral plans are individually tailored to the needs of our clients and provide a comprehensive guarantee to provide peace of mind. Our funeral plan package has been well received with a significant increase in the number of funeral plans written in the year, including Society members who took advantage of a member loyalty reward to celebrate Scotmid Funeral's 90th anniversary.

The focus on improving the quality of facilities and service we offer to our clients continues. We opened new funeral offices in Dunfermline and Clermiston (Edinburgh) and we have also completed refurbishment works at our Angle Park, Leith and Fountainbridge funeral offices in Edinburgh and the Dundas Fyfe funeral office in Motherwell.

The funeral market is becoming increasingly more competitive and price aware. Scotmid continues to provide a caring and high quality trusted service to our clients and members but has also led the way on the transparency of our prices. Our strategy will continue to focus on a caring quality service but will also include some additional areas of focus in response to the evolving market.

## April - May 2017



Pilrig food store relaunched following refurbishment.



Society President, Harry Cairney (left) wishes Head of Corporate Communications Malcolm Brown a fond farewell on his retirement.



The Scotmid Community Grant helped Team Jak's Foundation.

# Property



The industrial unit in Bellshill was one of the properties purchased with the proceeds of the Morningside asset.

Scotmid's Property business had a very positive year driven by growth in both residential and commercial rental income. This growth was achieved in the year when the Society completed the successful reinvestment of the proceeds of sale of our highest valued commercial property in Morningside Road, Edinburgh. To avoid an over-concentration of value in one single asset and to reduce our holdings of retail investment property, the Morningside site let to Marks & Spencer was sold in June 2017. Proceeds from the sale were successfully reinvested in high quality assets comprising central Edinburgh offices, 8 modern residential flats and two industrial properties.

Other development activity in the year included the completion of the conversion of the former Seaton Valley head office into four modern two bedroom flats. We also completed the successful sale of the vacant former head office of Penrith Society which has generated further funds for re-investment in the portfolio.

Commercial portfolio rental income was marginally ahead of the previous year despite the lost income from the disposal of Morningside Road in the middle of the year. As well as income from the two newly acquired industrial properties, underlying growth was achieved by lettings of void properties, most notably two lettings of the Society's refurbished Newbridge warehouse units.

Occupier demand remained strong in the private rented sector and residential income growth was achieved through a combination of new investment and rental growth. There was new income from the acquisition of the block of 8 flats in Edinburgh and the four flats in Seaton Delaval together with the annualisation of rental income from 15 two-bedroom flats in Hamilton (acquired in mid-2016).

The strength of the residential market in Edinburgh and successful commercial lettings saw the (like-for-like) valuation of the investment property portfolio increase by £3.9m.

## The year in summary



The new-look Scotmid store in Gorebridge.



Scotmid again sponsored the Young Farmers stand at the Royal Highland Show.

# Corporate Matters & Central Support



Delegates at the "Grow Aspire" awards.

The Society's surplus for the financial year was £5.5m. The bottom-line result was supported by a number of non-recurring items including a £3.9m unrealised revaluation gain from our investment property portfolio and a £1.4m gain on the sale of assets offset by £2.3m of exceptional expenses relating to business rationalisation costs. With the benefit of pension actuarial gain the Society's shareholders' funds and net assets increased by £8m to £99.6m. The Society had a £0.7m cash outflow in the year mainly due to the timing differences on sales/purchases of investment portfolio properties.

Despite a fall in long-term interest rates which increased scheme liabilities, the strong performance of Scotmid Pension Plan's investments in the year helped to deliver a £3.2m reduction in the Society's pension deficit. The Society is making annual cash contributions to reduce the deficit with security provided to the pension fund through investment property assets in an Asset Backed Funding arrangement.

The Society has received support from Conviviality Retail to continue our franchise trial of their brand. One of the Bargain B's trial stores came to the end of its lease in the year and was withdrawn from the trial. The remaining stores have seen an improvement in sales mix and margin during the year and Conviviality are continuing to tailor the franchise concept to meet the specific needs of the Scottish market. Planning approval has now been granted for two new stores which are due to open in April 2018.

As part of the Society's complimentary diversification strategy, Scotmid made an investment in the Start-up Drinks Lab, a Scottish business that will provide product development, bottling and manufacturing services to craft soda soft drinks companies. The business will start trading in premises in Port Glasgow in the summer. The Society is backing this local business to tap into the long-term potential for growth in the craft soft drinks market similar to the way that the local craft

## June - July 2017



Scotmid helped Keep Cash For Kids' 'Mission Christmas' on target.



Scotmid finished its partnership with Childline, raising £345,000 for the charity.



Newhaven Food store relaunched.

# Corporate Matters & Central Support continued



A new security tagging system was implemented in Semichem stores.

beer market has developed. There is also the possibility of developing Scotmid's own private label soft drinks.

A key priority for the support teams over the last six months has been the "Make it Simple" programme, rolling out a range of process improvements to save task in our retail stores. Intelligent counter cache machines to simplify cash processing were installed in 51 stores and 160 stores received purpose built stock cages to make stock replenishment more efficient. Night shift deliveries were trialled in selected stores and 24 further stores received the new model of self-scanning tills.

Cross functional teams have also supported a range of other projects and initiatives including the further rollout of electronic

product tagging, pensions auto-enrolment, energy efficiency measures and the upgrade of the Society's network. The refresh of our entire network has delivered most stores a near ten-fold increase in connection capacity and a more secure branch network. Planning work has also progressed on the Society's response to the General Data Protection Regulation (GDPR) which comes into force in May 2018.

Colin McLean, Chief Operating Officer left after 12 years and the Society thanks him for his service.

## The year in summary



The Society launched its new charity partnership with Samaritans.



Scotmid awarded Fair Tax Mark for a second successive year.



The relaunch of the Thornhill store gathered a lot of attention.

# Membership Development

## Community & Charity Activity



"18 and Under" the first-ever winners received a £15,000 award.

Implementation of the Society's updated Membership Strategy has progressed with an emphasis on three main projects: development of active membership in the Lakes & Dales area; cleansing of the Society's database; and development and delivery of the new community engagement initiative, Community Connect.

A new membership officer in the Lakes & Dales area has been recruited and work is underway to develop member engagement in that area with the ultimate aim of forming a regional committee. In preparation for the introduction of the General Data Protection Regulation (GDPR), the Society has taken the opportunity to review our member data. Consistent with the Society's membership strategy, this has re-enforced the need for a cleanse of old non-active membership accounts in-line with Society rules. An update on progress of the

Community Connect scheme is provided in the next section of the report. From a membership development perspective the trial has been very successful, with an encouraging number of new members joining the Society and increased attendance at the North AGM.

Jigsaw, the biannual members' magazine, continues to be popular. The Scotmid Members' App, which features weekly exclusive discounts, has grown over the past year with an increasing amount of members taking advantage of the easy-to-use and free mobile app.

### Community Activities

The Society's core purpose is to serve our communities and improve people's everyday lives using co-operative values and principles. We do this by operating businesses that provide

### August - September 2017



Society Profit Protection Officer, Jane Parker won the Outstanding Contribution Award at the Retailers Against Crime event in Glasgow.



Scotmid helped celebrate Golden Wonder's 70th Anniversary.



Scotmid co-operated with a local college by donating £5000 worth of equipment.

# Membership Development

## Community & Charity Activity



members/customers with goods and services and then invest surplus funds back into the local community. During the year the Society progressed with our Community Connect trial which is an exciting new regional extension to the Society's community strategy.

Community Connect was initially introduced in Scotmid's North Member Region with funding generated from the sale of single-use carrier bags. Members collect their community votes when they shop in a Scotmid store and then vote for one of three nominated groups at a Member Meeting. In addition, members are entered into a monthly prize draw each time they shop in store to win up to £100 in Society vouchers. Dundee-based charity "18 and Under" who were the first-ever winners received a £15,000 award. The trial has since been extended to the West Member Region with plans to introduce the initiative

into the East Member Region in 2018. Based on member feedback we are also trialling a potential enhancement to the scheme in the North Region with both in-store and AGM voting made available

During 2017 the Society's Regional Committees Scheme distributed over £110,000 of Community Grants to over 1,000 community groups across our trading areas, a list is provided on pages 14 and 15. For over a decade, the Society has been committed to the promotion of Fairtrade across all our trading areas. Fairtrade Fortnight 2017 culminated with a special Festival event at the Eric Liddell Centre in Morningside, Edinburgh sponsored by Scotmid. The Society contributed to dozens of events across our trading areas and organised a number of large events which were well attended by a range of people from across the community.

### The year in summary



"18 and Under" community group from Dundee became the first winners of the Community Connect scheme.



Fun charity children's book on sale at Scotmid, written by Channel Island's Co-op CEO.



Scotmid Community Grant supported the Christmas 'Toy Giveaway'.



## Charity

At the end of August 2017, Scotmid concluded our Charity of the Year partnership with the NSPCC's Childline and, thanks to the efforts of members, colleagues and customers, the Society raised an impressive £345,000. This total helped Scotmid to smash the £1m barrier for funds generated for our Charity of the Year partners over the past three years. At the end of partnership awards Childline's founder Dame Esther Rantzen thanked all the award recipients who had gone the extra mile to raise funds.

From September, the Society's new charity partner became the Samaritans. The Society aims to raise £300,000 for the charity, as well as recruit local volunteers and increase awareness of mental health issues. Funds raised could help Samaritans listen to 60,000 more calls from people in crisis.

Scotmid also supported a number of charities with the proceeds of the 5p single use carrier bags. Social Bite, a charity for the homeless, was provided with funds for a community hub within their village for the homeless. Erskine, a charity, which cares for military veterans received funding for three

multi-purpose vehicles, and 15 bicycles and equipment were given to St Andrew's First Aid for their cycle response team.

## Political Donations

Donations to the national Co-operative Party amounted to £14,000 and the Scottish Co-operative Party of £16,000.

## Appreciation

The Directors would like to thank our members, customers and colleagues for their support over the year.

Signed on behalf of the Directors

Harry Cairney, **President**

Jim Watson, **Vice President**

22 March 2018

## October 2017 - January 2018



In partnership with Forth One Scotmid launched the "Kid in the Kitchen" joke book for charity.



Scotmid helped to extinguish litter problems at Edinburgh's Hogmanay.



Community Connect new short-listed good cause groups announced.

# Organisations that have benefited from Scotmid's support during the year

102 Field Squadron • 106 Partnership Committee • 1143 Squadron • 1756 (Broxburn) Squadron ATC • 1st Burnhead Company • 1st Inverbervie Scout Group • 1st Law Boys Brigade • 1st Step Café • 224th City of Edinburgh Brownies • 22nd Fintry Scout Group • 2nd Seaton Delaval Scout Group • 36th Edinburgh Rainbow Unit • 3rd Bathgate Rainbows • 3rd Peebles Guides • 44th Dundee Boys Brigade • 46th Glasgow Guides • 53rd Duke Street Brownies • 5th Hamilton Brownie, Guides & Rangers • A Very Moray Community Christmas • Aaron House Care Home • Abbey Playgroup • Abbeyfield Scotland • Abbeyhill Colonies of Artists Exhibition • Abbeyhill Primary School • Abbie's Army • Abercromby Primary School • Aberdeen Concert Band • Aberdeenshire Showcase Companies • Aberlour Child Care Trust • Aberlour Children's Charity • Aboyne Canoe Club • ACES Netball Club • Acre St Serfs Care Home • Action for Alex • Actionporty • Adoption UK • African Adventures • Age UK • Ageingwell • Aird Explorer Scouts • ALMA • Altogether Archaeology • Alyth & Senior Citizens Lunch & Socialising Club • Alyth Friends of Guiding • Alyth Youth Partnership SCIO • Alzheimer Scotland • Amnesty International • Andover PS Christmas Fayre • Angus Autism Awareness Team • ANGUSalve • Anipals • Annette Street Primary School • Anthony O'Brien Quinn Memorial Trust • Antonine Primary School • Apex Highland - Recovery Walk • Arbroath Bowling Hub • Arbroath Fairtrade Action Group • Arbroath Relay For Life • Argyll & Sutherland Highlanders Association • Armadale Children's Galaday • Armadale Community FC 2009 • Armadale S.W.R.I • Arncliffe Rangers Youth Football Club • Ashgill Community Group • Ashley Theron • Assisted Cycling Events (Scotland) • Asthma UK Scotland • Astley Park Mens Bowling Club • Astro Gymnastics • Auchenblae Defibrillator • Auchinraith Primary School • Auchlochan Garden Village • Auld Kirk Nursery • Autism Awareness • Ayrshire Cancer Support • Ayrshire Film Co (CIC) • Ayrshire Infinity Choir • Balerno & Currie Pram Race • Balerno Children's Gala Association • Balerno Fairtrade Village Group • Balgreen Nursery • Balgreen Playgroup • Ballantrae Bowling Club • Ballantrae Church Summer Fair • Ballantrae Festival of Food & Drink • Ballantrae in Bloom • Ballantrae Playpark Development Group • Balloan FC • Balloch Community Council • Balloch Fundraising Group • Balloch Primary School • Balloch Village Trust • Balornock Primary School • Banavie Primary School • Banchory & District Initiative Ltd • Banchory & District Men's Shed • Banchory Fire Station • Banchory Ternan East Church of Scotland • Band F Day Centre • Banff Playgroup and Toddlers • Bankie Beats Youth Choir • Bankier Helping Hands • Bankview Nursing Home • Bannockburn High School • Bannockburn Primary School • Barlanark Family Centre • Barnardos • Barnton Pharmacy • Bates Cottages Cricket Club • Bearsden Primaries Joint Working Group • Beatson Cancer Charity • Beeslack High School • Befriending Caithness • Bellrock Nursery School • Bellshill Academy • Benriach Distillery Co. Ltd • Bield Housing & Care • BIEN Cancer Research • Birdston Day Care Centre • Birkenshaw Fun Day • Birkenshaw Community Partnership • Bishopmill Mutual Improvement Association • Blackburn Children's Gala Day • Blackburn Swimming Club • Blackburn United Community Football Club • Blackhall Playgroup • Blackridge Primary School Parent Council • Blackwood Primary School • Blairgowrie 2008 • Blairgowrie and Rattray Illumination Committee • Bliss • Blue Triangle • Blyth Rescue Lifeboat • Boghall Primary School • Bo'ness Rugby Club • Bonnybridge Gala Bridge Fayre • Boots - Save The Children • Bopath Scotland • Borneo Charity Expedition • Borrowfield Christmas Concert • Borrowfield Primary School • Borrowfield Summer Fayre • Bothwell Castle Pipe Band • Bounce Higher • Bowel Cancer UK • Boys Brigade - Highland Battalion • Braeview Academy • Braidwood Playgroup • Bravo Brechin Halloween Group • Breast Cancer Care • Breast Cancer Care Scotland • Breast Cancer Now • Brechin Community Pantry • Brechin Garner Memorial • Brechin In Bloom • Brechin Rugby Club • Bridgend Primary School • Brigid Primary School • Brimmond School • British Heart Foundation • British Red Cross • British Red Cross Jingle • Broxburn Athletic Colts Ladies • Broxburn Boxing Club • Broxburn Gala day • Broxburn Parish Church • Broxburn Pre-School Playgroup • Broxburn Primary School • Broxburn Whites 2004 Football Team • Buchanan High School • Budhill and Springboig Allotment Association • Bumblebee Babies • Burghead Church of Scotland Guild • Burghead in Bloom • Burghead OAP's Christmas Party • Burghead Primary School • Burnhead Community Centre • Burnhead Toddler Group • Burrelton and Woodside Senior Club • Burrelton Tennis Club • Bute House Care Home • Buy Benaiah • BUYMSH Appeal • Cairneyhill Children's Gala • Cairneyhill Primary School • Calderbraes FC • Calderbraes Football Club • Calderglenn Nursery • Calderside Nursery Centre • Calderwood Community Centre • Caledonia Housing Association • Cambuslang Cubs • Cambusnethan Boxing Club • Cameron Thistle FC • Cameron House Circle Of Friends • Canal View Primary School • Cancer Charities Fundraiser • Cancer Research UK - Bingo Night • Cancer Research, Stockbridge • Capital Allstars Cheer & Dance • Capital Connections Social Club • Care Experience Young People • Carers Group Dewar House • Caring Operations Joint Action Council • Carluke & District Gala • Carluke Fun Run • Carluke Rovers • Carluke Thistle AFC • Carmunnock Autumn Club • Carr Gomm • Carrick Knowe Parish Church • Carse of Gowrie Men's Shed • Cash For Kids • Castle Douglas Civic Week • Castlehill Bowling Club • Castlemilk Day Nursery • Castlemilk Youth Complex • Castlevale Youth Development Club • Cat Protection League • Catterline Primary School • Central Radnor Park • CFINE Ltd • Challenge Ministries Swaziland • Chapelhall Primary School • Charity Connections • Charlestown Academy PTA • CHAS • Cheerleading Club Eagleham • Cherry Road • Childline • Childreach International • Children 1st • Christ The King Primary School • Christian Aid • Christmas in Queensferry • City of Aberdeen Gymnastics • City of Edinburgh Basketball Club • City of Play • City Star Majorette Troupe • Civil Service Strollers Football Club • Clan Cancer Support • Clarkston Nursery • Cleland Amateurs FC • Clepington Primary School • CLIC Sargent • Clovenstone Community Centre • Clydebank TLC Group • Clydebank Primary School • Clydesiders • Coalburn Pipe Band • Coaltown of Balgonie Children's Gala • Colonsay Parish Church • Colinton Village Events • Colliers Basketball • Community Enterprise Ltd • Community Relations Cheques • Connor Whiskey Galore Film Event • County Air Ambulance • Coupair Angus Gala • Coupair Angus Pipe Band • Cradelhall Primary School • Cradlehall Care Home • Craigmorn Boys Club • Craighdu Primary School • Craiginny & Lochend Playgroup • Craiginny Primary School • Craigiebarns Primary • Craigmillar Community Arts • Cramond Kirk • Cramond Playgroup • Crawforddyke Primary School • Crisis • Croglin Village Hall • Croileagan Grianach • Crosshouse Church Hall • Crosshouse Primary • CRUK • Cullen Past & Present Volunteers Group • Culross Abbey Fete • Culter Primary School • Cumbernauld & Kilsyth Nursery • Currie High School • Currie Parish Horticultural & Industrial Society • Currie Star 2003 Youth FC • Currie Star FC • Cycle for Sam Brain Tumor Charity • Cystic Fibrosis Trust • Dads Work • Daft as Brush • Dalkeith & Monktonhall Brass Band • Dalkeith Foodbank • Dalmeny Parish Church • Dalmeny Primary School • Darcys Equine Assisted Learning Centre • Deaf Action • Deaflympics • Dean Fundraising • Dean Steele Memorial Football Match • Dean's Fundraiser • Deans Gala Day Committee • Deans Primary School • Dechmont Infant School • Deerpark Primary School • Dementia Fundraiser Creiff Hydro • Dementia UK • Dennyloanhead Community Hall • Deveronside Juveniles FC • Doodle Bugs Macduff Under 5's • Doodlebugs • Dove Centre • Drakies Primary School • Dream Coach HR Community Interest Company • Driving Force • Drumlithie Gala • Drumnadrochit Piping Society • Drumsagard Football Team 2010/2011's • Drylaw Rainbow Club Day Centre • Dudley Bowling Club Senior Section • Dunbartonshire Epilepsy Support Group • Duncan Forbes Primary • Dundee & Angus College • Dundee Fair Trade • Dundee ICF Projects • Dundee Museum Of Transport • Dundee Relay For Life • Dundee Science Centre • Dundee Therapy Garden • Dundee Thistle FC 2006 • Dundee Women's Aid • Durham Mini Police • Dynamite Gymnastic Clubs • Eadar Glinn Care Home • Eagleham Bowling Club • Eagleham Fair • Eaglesham Memory Lane • Eaglesham Primary School • East Ayrshire Carers Centre • East Calder Gala • East Calder Scout Group • East Mains Community Council, East Kilbride • Eastbank Netball club • Easterhouse Community Church • Easterhouse Community Boys Club Kids School • Echline Primary School • EDEN (East Dundee Environment Network) • Eden Animal Rescue • Edinburgh & Leith Secretaries Bowling Associatio • Edinburgh & Lothians Regional Equality Council • Edinburgh Cat & Dog Home • Edinburgh Children's Hospital Charity • Edinburgh City YFC • Edinburgh City Youth Café • Edinburgh Community Solar Co-op • Edinburgh Dog and Cat Home • Edinburgh Fairtrade Steering Group • Edinburgh Headway Group • Edinburgh Inline Hockey Club • Edinburgh March Riding Association • Edinburgh School Uniform Bank • Edinburgh Sick Kids • Edinburgh University Hockey Club • Edinburgh Young Walkers (EYW) • Edzell Woods Community Trust • Elgin High School • Elgin Youth Development Group • Elim Befriending Service • Elsdon Avenue Surgery • Emma Beggs Fundraising • Enable Scotland South Queensferry • Enactus Edinburgh Enactus Edinburgh • Epilepsy Scotland • ESTEEM Clydesdale • Ethan Philbin Charity Support • Evie Fundraiser • FACT • Fairtrade Midlothian • Fairview Care Home • Falkirk Community Trust • Falkirk Football Club • Falkirk Junior Gaelic Club • Family Project • Fauldhouse Children's Gala Day • Fauldhouse Community Development Trust • Fauldhouse Monday Club • Fauldhouse Playgroup • Fauldhouse Young at Heart • FC Kirkwood • Ferniegair Gala • Ferry Fair • Ferrylee Care Home • Fife Housing Group • Finlarig 61 Social Club • Finmill Centre • Firpark Primary School • First Step Community Project • Flutterby FUNdraisers • Fochabers Bowling Club • Fochabers Gala Day • Food Train West Lothian • Ford's Road Care Home • Forehill Primary School • Forfar Airways • Forfar Community Bus Trust • Forth Dimension Musical Productions • Forth Valley Community Focus • Forth Valley Disability Sport • Forth Valley Flyers • Fortrose Senior Badminton Club • France Wright Pre School • Fraserburgh Sea Cadets • Fraserburgh Surf Life Saving Club • Frazer Allan Fundraising • Friends of Blackness • Friends of Bloemfontein Primary School • Friends of Denlethen • Friends of Doocot • Friends of Drakies PS • Friends of Inverleith Park • Friends of Lake District Calvert Trust • Friends of Orton Primary School • Friends of Plumpton School • Friends of Simeon • Friends of St Herbert's School • Friends of Stonehaven Open Air Swimming Pool • Friends of the Pentlands • Frosterley Primary School • Fun Little Poland • Galloway Thistle Youth Football Club • Garmouth and Kingston Bowling Club • Gartcoster Primary School • Gateside Tenants & Residents Ass • Gemma Wares • Girvan Community Sports Hub • Glasgow Children's Hospital Yorkhill • Glasgow South Diabetes Scotland Group • Glen Urquhart Care Centre • Glen Urquhart High School • Glenbervie PS Partnership • Glencryan School • Glenurquart Primary School • Glenurquhart Childcare Centre • Glenurquhart Highland Games • Goodtrees Community Centre • Goodwill Growth Africa • Gordon Veterinary Surgery • Gorebridge Gala Day • Gorgie Mills Bowling Club • Gourdon Coastal Rowing Club SP94 • Gracemount High School • Graham Pest Control • Grampan Pain Support • Granton Primary School • greenhead moss Community Group • Gregor Girls Fundraising • Grove Community Garden • Guildtown Village Playgroup • Hamilton District Arts Guild • Hamilton Grammar School • Harestanes Primary • Harestanes Toddler and Parent Group • Harlaw Monday Group • Harlow's Helping Hand • Harmeny Athletic Club • Harthill community • Heart Of Africa • Helensburgh Winter Festival • Help for Heroes • Hermitage Park Primary School • High Blantyre Primary School • Highland Cross • Highland Hospice • Highland School of Skating • Hill of Banchory Primary PTA • Hillcrest House • Hillhead Nursery • Hillside 106th Scout Group • Hillside School • Hillside Scouts • Hillview Court • HIPY • HM Frigate Unicorn • Holiday Project • Holy Cross RC Primary • Holy Trinity Church Annual Garden Party • Holy Trinity Primary School PTA • Holytown Parish Church • Holywell County First School Parents Association • Holywell In Bloom • Holywell Village First School • Home Start • Home-Start Edinburgh • Hope for Blake • Hope Paton Bowling Club • Hopeman's Community Association • Hospice At Home • Hub Arts



## Directors' Report

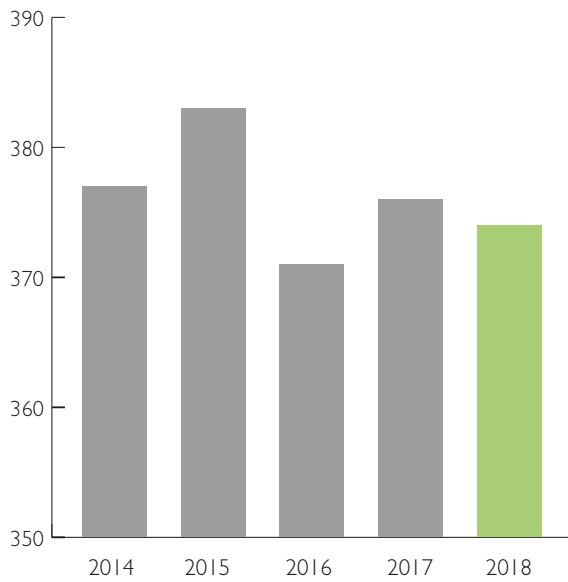
Group • Hutchison Vale FC • I-Kick Martial Arts • Inch Community Centre • Interact • International Womens Day • Inverbervie & District Probus Club • Inverbervie Day Centre • Inverbervie Pre-School & Burgh Hall • Invercairn Community Council • Inverclyde Care & Help at Home • Inverclyde Woodturning Club • Invergowrie Christmas Lights • Invergowrie Parent Council • Inverkeithing Community Council • Inverkeithing High School • Inverness Royal Academy • Inverness Trampoline Club • Skate • Isla Ward Stobhill Hospital • James Hutton Institute • Jameson Place Sheltered Housing • Jason Lyons Memorial Trophy • JC Glitter White • JDRF Montrose • John King Memorial Cup Fundraiser • Just Giving Susan Logan • Kennoway Football Team • Keswick Beer Festival • Keswick Rotary Club • Keswick Victorian Fayre • Kids Cancer Awareness • Kids Love Clothes • Kieran McDade Foundation • Kildrum Family Learning Centre • Kilmallie Community Centre Ltd • Kinmylies Primary • Kirkcaldy Shotokan Karate • Kirkhill Primary School • Kirkliston & South Queensferry FC • Kirkliston Playgroup • Kirkliston Primary School • Kirkmuirhill Football Club • Kirknewton & East Calder Church • Kirkton Primary School • Kirky Samba Sisters • Knockbain Community Council • KS Dance Academy • Laburnum Family Learning Centre • Lanark Gymnastics Club • Lanarkshire Additional Support Team • Largs Community Resilience Team • Larkhall & District Volunteer Group • Laurencekirk Bowling Club • Laurencekirk School • Law Baby and Toddler Group • Law Village Community Fun Day • Lazonby Bowling Club • Lazonby C of E School • Lazonby Primary School • Learn with Fred • Leith Academy School Fund Account • Leith Festival Association • Leitheatre • Lent Lunches • Lesmahagow High School • Lesmahagow Highland Games • Leuchars Primary School • Liberton Rugby Club • Libertus • Lifeline • LIFT • Light Up The Dales • Link Up Whitfield Volunteer Dundee • Linkwood Primary School • Lisa Shore (Post Office) • Little Monster Mashup • Little Princess Trust • Little Sisters of the Poor • Livingston Ladies Probus Club • Livingston Station Playgroup • Loanhead Children's Gala Day Association • Loanhead Miners Youth Football Club • Lochee United Amateur FC • LO-GYGymnastics • Lothian Laryngectomy Group • Love Learning Scotland • Low Port Primary School • LS Divas • Lugar Boswell Thistle Football Club • Luthermuir School Community Group • Lyle Cornet Fundraising • Lyndos School of Dance • Lyvennet Community Pub • Machan Trust • Machanhill Primary School, Larkhall • Mackie Academy • Macmillan Cancer • Maggie's Centre Dundee/Look Good Feel Better • Maggie's Glasgow • Magic Gymnastics • Make A Wish • Manchester Relief Fund • Marchmont & Sciennes Community Council • Marchmont Midsummer Madness Garden Party • Marchmont Playgroup • Marie Curie • Mark Scott Leadership • Mary's Meals • MASA • Mayfield & Easthouses Youth 2000 Project (Y2K) • Mayfield and Easthouses Piping and Drumming Societ • McLean Primary School • McMillan Cancer Research • Mearns & Coastal Healthy Living Network • Mearns Academy Parent Council • Mearns Camera Club • Mearns Heritage Services • Mearns Skatepark • Mearns Youth FC • Meikleour Village Hall & Institute • Melomona Cancer Fundrasier • Meningitis Research Foundation • Menstrie Parish Church • Merrylee Primary School • Mid Calder Primary • Mid Deeside Church Foodbank Christmas Tree • Mid-Lin Day Centre • Midlothian Gymnastics Club • Midlothian Sure Start • Milesmark Primary Gala • Military Museum Scotland • Mill United Blacks 2003 • Milnes High School PTA • Milnes Nursery Fochabers • Milngavie Tennis Club • Milton Rovers Youth FC • Milnongrange Nurcing Home • Moghissi Laser Trust • Monikie Primary School PTP • Montrose Academy • Montrose District Seals ASC • Montrose Fair Trade Forum • Montrose Old & St Andrews • Montrose Sailing Club • Montrose Town Hall Bowling Club • Montrose YM • Monymusk Playgroup • Moray School Bank • Morison Duncan Hall • Mosstodloch Parent & Toddler Group • Muiredge Primary School • Multiple Sclerosis Fundraising • Munloch Christmas Lights • Murdostoun Neurological Care Centre • Murieston United Football Club • Murrayburn Primary School • Murrayfield Primary School • Murrayfield Junior Ice Hockey Club • Musselburgh Horticultural Society • Musselburgh Seacads • Muthill Pre-School • MYFC Girls Under 13s Team • Myrtlefield District Brownies Girl Guides • Nairn & District Gardening Club • Nairn Bowling Club • Nairn Drama LTD • National Austistic Society • Netball Fever • Neather Currie Primary School • New Age Kurling • New Cumnock Early Childhood Centre • New Cumnock Bowling Club • New Cumnock Community Charity Fun Day • New Directions West Lothian • New Elgin JFC • New Elgin Primary School • New Farm Primary School • New Hartley First School • New Hartley In Bloom • New Hartley Kids Club • Newhaven Scout Group • Newmains Primary School • Newmilns and Galston Brass Band • Newport In Bloom • Newton Community Education Association • Newton Stewart Young Players • Newtongrange Silver Band • NHS Rehab • NHS Tayside Raffle • Ninewells Community Garden • Noblehall Community Centre • North Air Ambulance • North Ayrshire Athletics Club • North Edinburgh Arts • North Kincardine Rural Community Council • Northern Oesophago Cancer Fund • NorthPens Writers • Oakburn Park Day Centre • Oban High School • Ogilvie School Campus • Old Kilpatrick Bowling Club • Oldmachar Community Preschool • One Stop Community Shop • One Voice Volunteer Group Association • Operation Wallacea • Orchard Care Centre • Orchard Primary LCSC Support Group • Ordriquhill School • Ordtotz Baby Toddler Group • Orla Higgins Fundraising • Orton Primary School • Our Lady of Lourdes Primary School • Outdoor Nursery Edinburgh • Ovarian Cancer Research • Oxgangs Neighbourhood Centre • PAMIS • Park Run Ltd • Parkhead Childrens Gala Day • Parkhead Primary School • Parkinson UK • Parkview Primary School • Partizan FC • Pass IT On • Patna Primary School • Patrick Sweeney • Pentlands Book Festival • Penumbra • People First • People First Fraserburgh • Percy Hadley Fund • Perth & Kinross Initiative • Peza Trust • Pilrig Park School • Pinocchio's Children's nursery • Pinyoscot Bulldogs • Place & Platform Art Collective • Place2Be • Places For People • PMC Lunch Club • Polbeth & West Calder Community Garden • Polwarth Church Fairtrade • Poppy Scotland • Portgordon Primary School PTA • Portobello High School • Preston Lodge High School • Prestonpans After School Club • Prestonpans Infant School • Prestonpans Primary School • Pride in Meikle 2015 • Pride of Place Coupar Angus • Priorsford Primary School PTA • Project Ability • Puffin Playgroup • Pumpherton Senior Citizens Club • Pumpherton Uphall Station Community Primary School • Queen Margaret University • Queensferry HS - charity football tournament • Queensferry Lifeboat Station • Queensferry Parish Church • RAF Turriff 1296 Squadron CWC • Raigmore Primary School • Ranbow Nursery • Rannoch Lodge Nursing Home • Raploch Primary School • Ratho Children's Gala Day • Ratho Primary School • Ratho Station Residents Association • Rattray Blair Half Marathon • Ravelrig Riding for the Disabled • Renaissance Care • Reno Nevada Championships • Residents McDonald/Carnegie Court Social Fund • Resonate Arts House • Richmond's Hope • Rikki's fundraiser • River Kids • RNLI Eyemouth • RNLI Loch Ness • RNLI Macduff • Ronald McDonald House • Rosebank Primary School • Rosebery Playgroup • Roslin Men's Shed • Rosslyn Bowling Club • Rotary Club of Montrose • Row Party • Roxburgh House • Roy Castle Lung Cancer Foundation • Royal Air Force - Air Cadets • Royal Blind • Royal British Legion • Royal British Legion Scotland - Montrose Branch • Royal Naval Association Rosyth & west Fife Branch • Royal Tarlair Golf Club • RRC Grantown • RUSH • Ruth Grace Fundraising • Saline Golf Club, Ladies Section • Salvation Army • Salvation Army Prestonpans • SAMH • SAMH - Macduff Bowling Club • SAMs Charity • Sandcastle Playgroup • Sandend Amenities Council • SANDS • Saughtonhall Community Summer Fete • SAVE • Scotland Deaf Pensions Society • Scott Avenue Community Garden Group • Scottish Africa United • Scottish Families Affected by Alcohol & Drugs • Scottish Fighters of WKA • Scottish Pensions Association • Scottish Spina Bifida Association • Seagull Trust Cruises Ratho • Seaton Delaval Church Fayre • Seaton Delaval Dynamos Football Team • Seaton Delaval First School • Seaton Delaval Ladies Bowling Club • Seaton Delaval Pantomime Society • Seaton Sluice In Bloom • Seaton Sluice Middle School • Shannon Hughes Foundation • Shannon Miller Fundraising • Shap Evergreen Club • Shap Playgroup • Shazam Theatre Company SCIO • Shona Douglas Fundraiser • Sick Kids Friends Foundation • Sighthill Bowling Club • Sighthill Community Centre • Silverknowes Golf Club • silverwood primary • Simba • Simpson Special Care Baby Unit • Singing for Lung Health • Sister of St. Peter Claver • Skelton Show • Skylark IX Recovery Trust • Sleep in the Park • Social Bite's Sleep in a Park • South Ayrshire Escape from Homelessness (SeAscape) • South Parks Primary School • South Queensferry Clean Up • South Queensferry Rotary Club • Special Needs Adventure Playground • Speymouth Hall • Speyside High School • Spinning Tops (Seaton Delaval) • Springburn Community Council • Spynie Care Home • St Andrew's Church Youth Café • St Andrews Hospice • St Andrews Primary School • St Catherine's Argyle • St Columba's Hospice • St Cyrus Primary School • St Devenicks Playgroup • St Elizabeth's Primary School • St George's • St John Baptist PS, Fauldhouse • St John Paul II Primary School • St John The Baptist Over 50 Group • St John the Baptist Primary School • St John's Chapel Luncheon Club • St John's RC Primary School Parent Council • St Joseph's Church, Broomhouse • St Joseph's Primary School • St Joseph's RC Primary School • St Kentigern's Church • St Lukes RC School • St Margarets High School • St Margaret's Primary School • St Margaret's RC Primary School Parent Council • St Mark's Primary School • St Mark's RC Primary School Parent Council • St Mary's Church Holywell • St Mary's Primary School • St Mungos Old Folks Wellbeing Centre • St Mungos Primary • St Nicholas PS, Broxburn • St Ninians R C Church • St Patrick's Primary School • St Paul's Primary School • St Paul's PS, East Calder • St Peter & St Pauls Parent Council • St Peter's Church • St Peter's Primary School • St Philomena's RC Church • St Pius Primary School • St Pius RC Nursery School • St Roch's Childcare Services • St Ronan's Primary School • St Thomas of Aquinas • Stanhope Agricultural Society • Stanhope Barrington Primary School • Stanhope Cricket Club • Stanhope Scouts • Stanhope Toddler & Baby Group • Stanley Burnside Primary School • Starter Packs Glasgow • Starter Packs Inverclyde • Steins Thistle Club • Stenhouse Primary School • Stobhill Primary School • Stockbridge Colonies Yard sale • Stonehouse Jubilee Club • Stoneyburn Community Education Association • Strathaven Academy • Strathaven Agricultural Exposition • Strathaven Balloon Festival • Strathaven Round Table • Strathcare • Strathmore Centre for Youth Development - SCYD (SC) • Stroke Association • Studio 75 • Sunny Harbour Cat Rescue • Supporting Autism in Lanarkshire • SWI Fettercairn & The Sandpaper Trust • Tannochside Primary School • Tayport Ferryport-on-Craig Community Council • Tayside Children's Cancer Charity • Tayside Council On Alcohol • TeamLyle • Teardrop • Teenage Cancer • TESOL Thailand • The 1.30 Club • The ARCHIE Foundation • The Bathgate Band • The Big Bear's Picnic • The Big Pedal • The Big Sleep Out • The Butterfly Trust • The Cawdor Bowling Club • The Edinburgh Singers • The Friary Community Garden • The Friends of Cross Hill Nursing Home • The Friends of the Polwarth Canal Garden • The Haven • The Jack and Jill Parent/Carer Support Group • The Jam Cheerleaders • The John O'Byrne Foundation • The Kieran McDade Foundation • The Leprosy Mission • The Meeting Place • The Mixing Lowland Aberdeen • The MOOD Project • The Preshal Trust • The Shack Street Food • The State (Leith) CIC • The Strathmore Rugby Club Community Trust • The TLC Group • The Waggy Dog Project • The Way Through Project • The Yard • Thomas's Fundraiser • Threshold Edinburgh • Tillydrone Community Flat • Tilly's Raffle • Time for a Cuppa • Tiny Lives • Tollcross Primary School • Tore Primary School • Torphins Bowling Club • Torphins Community Council • Torphins Primary School • Torrance Community Initiative • Townhill Primary School • TREE • Treetop Family Nurture Centre • Tri Angus Ltd • Trust Jack Foundation • Tullichewan Tenants & Residents Association • Turriff Citizens Advice Bureau • Tynecastle High School • Tyneside Gymnastics • Uddingston Bowling and Tennis Club • Uddingston Bowling Club • Uddingston Grammar School • Uddingston Pride • Unicorn Preservation Society • UNISON Kinneil Band • Uphall Station Pensioners Association • Urquhart Baby Toddler Group • VESA • Victoria House Care Home • Viewpark Children's Christmas Party • Viewpark Garden Allotments • Vision Africa • VOCAL (Voice of Carers Across Lothian) • Voluntary Action Angus • Warddykes Primary School - Christmas • Warrior Mums Project • Weardale Community Choir • Wee Do Club • Weir Black Belt Academy • West Calder United FC • West Craigs Carol Singing • West Dunbartonshire Community Foodshare • West Kirk of Calder • West Lothian 50+ Network • West Lothian Schools Pipe Band Fundraising Commit • West Park United 2002's • Whitdale Primary School • White Horse Darts Team • Whitletts Victoria Futsal Club • Whitley Bay Barbarians • Willamwood Parish Church • Willowbrae/Duddingston Residents Association • Wing Tsjun Hilton Group • Wireless Hub Drama Group • Wish Upon a Star • Wishaw Bowling Club • Wishaw General • Wishes Women's Group • WLFIN (SCO) • Wolsingham Show • Women's Aid • womens Guild Tillcountry • World Cancer Research • Wormit Playgroup • Yes U Are Partnership • Yorkhill Children's Charity • Yorkhill Children's Hospital • Young at Heart Blackburn • Your Big C and Me • Ziggy's 8 Day Challenge

## Group Five Year Summary

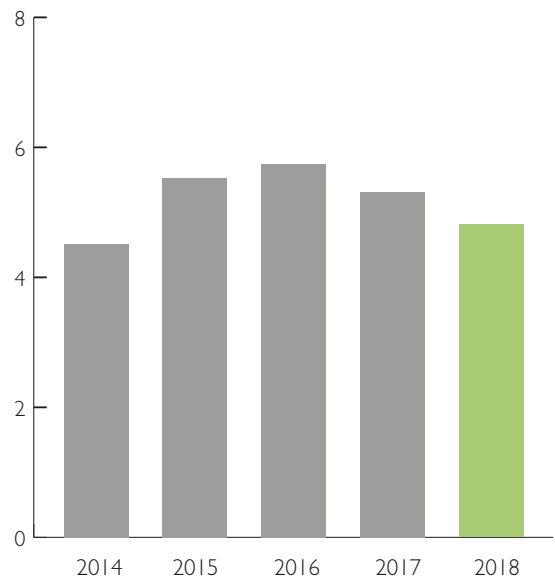
	2017-18	2016-17	2015-16	2014-15	2013-14
	52 weeks	52 weeks	52 weeks	53 weeks	52 weeks
number of members	268,125	266,627	265,499	260,977	259,562
	£000	£000	£000	£000	£000
turnover	373,712	376,169	370,620	382,869	377,369
trading profit	4,814	5,309	5,740	5,528	4,518
operating profit/(loss)	7,924	9,735	7,829	5,616	(868)
surplus before taxation	5,958	7,623	5,446	3,181	n/a
surplus for the financial year	5,547	6,252	4,301	2,121	n/a
depreciation and amortisation	10,145	10,424	10,615	10,316	11,120
net finance costs	1,363	1,476	1,709	1,815	n/a
purchase of fixed assets	19,173	10,156	7,837	7,999	10,493
fixed assets	165,781	159,771	154,811	152,397	152,382
net current assets	3,715	4,556	3,937	3,532	4,676
total assets less current liabilities	169,496	164,327	158,748	155,929	157,058
less long term liabilities	(48,510)	(48,870)	(49,284)	(49,897)	(54,580)
less provision for liabilities and charges	(2,090)	(1,341)	(2,257)	(1,512)	-
less pension liability	(19,340)	(22,585)	(15,734)	(20,866)	(15,275)
net assets	99,556	91,531	91,473	83,654	87,203
share capital	6,050	6,039	5,988	5,874	5,964
revenue reserves	62,936	51,316	55,953	51,626	56,518
non-distributable reserve	30,570	34,176	29,532	26,154	24,721
shareholders funds	99,556	91,531	91,473	83,654	87,203

The Group transitioned from the previous UK GAAP to FRS102 as at 26 January 2014. Therefore comparable figures for the 2013-14 period marked as 'n/a' above are not available.

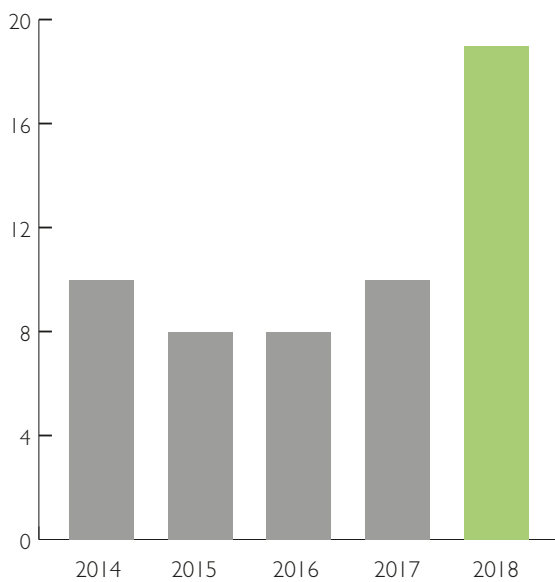
Turnover (£ millions)



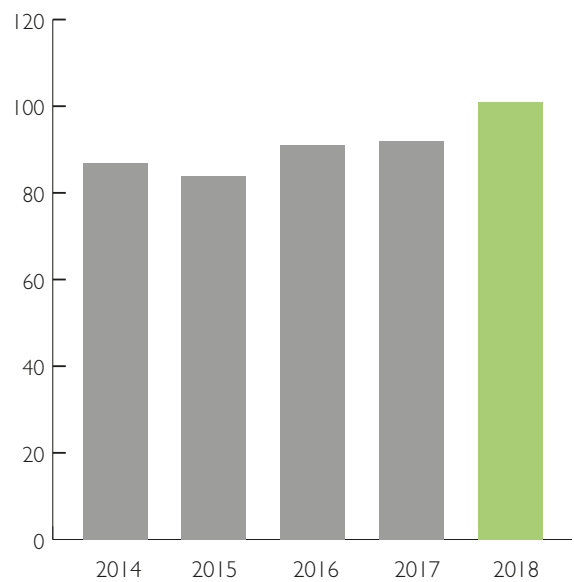
Trading profit (£ millions)



Purchase of fixed assets (£ millions)



Net assets (£ millions)



# Statement of Directors' Responsibilities & Governance Report

## Directors' Responsibilities

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and Society financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit 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 UK Accounting Standards, including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society for that period.

In preparing the Society 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Society and to prevent and detect fraud and other irregularities.

### 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 15. 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. The overdraft facility is renewable annually in May. The directors expect this renewal to take place in the normal course of business. 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 Co-operatives UK Corporate Governance Code ("The Code") is based on the principles contained in the UK Corporate Governance Code. The Board has reviewed the Code and has concluded that the Society substantially complies with it.

Co-operatives UK recognise that as co-operative societies differ in scale, size and resources, compliance may vary for acceptable reasons. The general 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 with the principles of the Code. The following explanations for non-compliance of the provisions of the Code are therefore provided:

- 1) 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 recommended limit of 33%. The Society believes that this more restrictive limit provides enhanced protection for the Society.
- 2) 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 five months. The Notice of Meeting is posted in Scotmid stores eight clear days before a General meeting.
- 3) Remuneration information disclosure: The total remuneration and the salary bandings of the Chair, Chief Executive Officer and members of the Executive team are shown in the Notes to the Accounts which is considered to be appropriate disclosure.
- 4) Audit Committee Financial experience: One member of the Audit Committee is a Fellow of the Chartered Institute of Bankers in Scotland which the Board considers to be an appropriate financial, although not specifically accountancy, professional qualification.
- 5) Audit Committee Chair: Although the Audit Committee chair has served for longer than the maximum time period as recommended by the Code, he will retire at AGM 2018

having served as the Committee chair for 3 years. The Board considers it appropriate that he continue to serve until his retirement as he provides a balance to the Audit Committee in terms of his knowledge and understanding.

- 6) Member training: A comprehensive training programme is offered to all Board and Regional Committee members each year covering a variety of topics which includes training specifically for elected members preparing to join the Board. Although the Society does not provide a programme of preparatory training for members wishing to join the Regional Committees, the Society does provide ad hoc training/information events to which members are invited.
- 7) Voting opportunities at AGM: Members are invited to attend and participate at General Meetings and to exercise their vote on an informed basis, rather than by voting electronically, having received the benefit of an explanation of any matter to be voted upon. Meetings are held in three venues within each of the Society's regions to encourage attendance and make meetings more accessible for members.
- 8) Timing of Board paper distribution: The Board regularly reviews its working practices and is satisfied that the timing of Board paper distribution, which is undertaken electronically, is appropriate to the nature of documents to be considered.

In each case the Board has satisfied itself that the Society is better served by the current working practices and adherence to its 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. Membership matters including membership strategy and development are the responsibility of the Search Committee. The Membership team promote recruitment, organise membership events and communicate with members.

Details of the membership activities undertaken during the year are contained within the Membership, Development, Community and Charity report on pages 11 to 13.

## Regional Democracy

The Society currently operates with three Regions (North, East & West) and intends to create a fourth Region to serve members living in the Lakes & Dales area. Members' meetings are held in each region and are advertised in our stores, on our website and by email. Each region is represented by a Regional Committee, and members who meet the qualifying criteria are elected to the Committees 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 Annual General Meeting in their region.

Regional Committees are also responsible for the nomination of directors, from within their Regional Committee, to represent the members for that region. The elections in 2017 were uncontested. On an annual basis each Regional Committee conducts an annual planning and evaluation review with recommendations discussed by the Search Committee.

Following the mergers with the Penrith and Seaton Valley Societies, the Board aims to establish a Regional Committee to serve members across the Lakes & Dales area. Until that new Regional Committee is established, members from the former Penrith Society are part of the West Region and former Seaton Valley Society members, the East Region. Members from those areas are eligible for nomination and election to serve on those respective Regional Committees representing members from the Lakes & Dales area. Plans to establish the new Regional Committee are being progressed with a new membership officer for the area appointed in August 2017.

## Board's Role

The role of the Board and the details of the directors' role and responsibilities are contained within the Society's Rules which are available to all members on the Society's website or on request. Following the development of the North Regional Committee and as part of the transitional arrangements, the Board increased its size to 13 members by making an additional seat available for a North Regional Committee member to represent members from that region. Directors are nominated by Regional Committee members and elected by members from the Regions they represent. Two retired employees are Board members, there are no recently retired employee Board members and no Board member is employed by the Society. The elections in 2017 were uncontested.

The Board is responsible for determining the Society's strategy in consultation with the Management Executive. It is responsible for monitoring the delivery of that strategy by management and identifying and managing risk. Given the distinctive nature of co-operative societies, the Board has a duty to ensure that the Society acts as a bona fide co-operative and adheres to the co-operative values & principles set out by the International Co-operative Alliance.

All of the directors are collectively responsible for the success of the Society, are equally responsible in law for the Board's decisions and are bound by an overriding duty to act in good faith in pursuit of the best interests of the Society as a whole. The directors have a Code of conduct which, together with the Standing Orders, covers their duties and responsibilities.

The day-to-day management of the Society's activities is delegated to the Chief Executive Officer and the Management Executive who are responsible for execution of the Society's strategy within the framework laid down by the Board.

# Governance Report

## 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 Code requires directors to maintain robust and defensible risk management and internal control systems and to regularly review their effectiveness. The review covers all material controls including financial, operational, compliance and risk management systems. The key elements in the Society's adopted internal control framework which are considered to be appropriate to the current size and complexity of the Society are as follows:

### 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 standing Board Committees, three of which have terms of reference as recommended in the Code: Audit, Remuneration and Search. There is also a General Purposes Committee which is responsible for addressing general matters not specified in the terms of reference of the above committees.

### Audit

The Audit Committee is responsible for the oversight of internal and external audit and monitoring the integrity of financial reporting, internal controls and risk management. The Audit Committee consists of 4 directors and it met 3 times in 2017/18. Following a review of Committee membership, Sandra Williamson was appointed to the Committee in place of Tom McKnight and Eddie Thorn will become Committee Chair on the retirement of John Anderson at AGM 2018. The President is not a member of the Audit Committee.

The Society has an Internal Audit Department reporting directly to the Chief Executive. An annual report for 2017/18 has been

produced and audit plan for 2018/19 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, reviewed and agreed by the Board in 2017, include:

- Consideration of the appointment of the external auditor and the scope of the audit;
- Review and approval of the external auditor's annual plan;
- Review of the financial statements and auditor's 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; and
- Review of the arrangements and procedures for whistleblowing.

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. The risk registers are consolidated onto a risk assurance map. 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 Audit Committee is also responsible for reviewing the Society's tax policy and strategy on an annual basis.

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.

### Remuneration

The Remuneration Committee consists of four directors, none of whom are 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 'Reward Matters Limited' 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 4 to the financial statements. The remuneration information and the salary bandings in Note 4 provide appropriate disclosure of Board and Management Executive remuneration for Scotmid Society, although not in the format recommended in Co-operatives UK's best practice.

Last year, in the face of the continuing challenging external retail market conditions, the Society suspended the existing Profit Related Pay scheme available to Society employees and the Annual Incentive Scheme and Long Term Incentive Plan (LTIP) for the Management Executive. After reviewing this year's trading performance and the continuing cost pressure challenges that the Society is facing the Remuneration Committee has extended the suspension of the schemes for a further year.

## Search

The Search Committee is responsible for monitoring Board and Regional Committee effectiveness, member training, succession planning (Board, CEO & Secretary) and oversight of the Society's membership development and community strategy. The Committee consists of five directors and met 5 times in 2017/18.

During the year there were a number of changes to Committee membership with Grace Smallman moving to the Remuneration Committee and Tom McKnight appointed to the Search Committee.

The 2017/18 Board skills evaluation process was undertaken by York St John's University and the University of Manchester. Directors completed a self-assessment questionnaire and one to one interviews to enable the assessors to evaluate individual director skills. The assessors also attended a Board and Audit Committee meeting to observe the operational aspects of the meetings, and the directors' individual and collective board skills. The Search Committee reviewed the outcome of the evaluation and concluded that directors had met their responsibilities and agreed to progress a number of recommendations during 2018.

The Search Committee also reviewed the results and recommendations arising from the Regional Committee planning and evaluation process. Regional Committee members completed a self-assessment questionnaire seeking opinions on a wide variety of topics in relation to their skills, knowledge and understanding together with the operational aspects of their respective Committees. A number of recommendations will be progressed in 2018.

Training for Board and Regional Committee members progressed as planned during the year with a new session on Trends in the Retail Technology delivered in addition to core sessions.

As part of the Search Committee's responsibility for succession planning, the Search Committee monitor the average length of service on the Board and the implications on future board membership of the transition arrangements from the age rule to a balanced board approach. The average length of service of the Board is currently 9 years, within the 9 year limit.

Other development matters considered by the Search Committee in the year included:

1. Development and rollout of the Community Connect trial as part of the Society's Community Strategy. The scheme provides Scotmid members with the opportunity to decide the worthwhile causes supported by the Society.

The trial was launched in the North region with increased attendance at the North OGM and good engagement with members. Based on this initial success the trial has been extended to the West Region and based on member feedback a number of potential refinements will be tested, including new member benefits and in-store voting for good cause groups in the North region.

2. Review of the Society's plans to cleanse the Society's membership database in anticipation of the introduction of the General Data Protection Regulations (GDPR), one of the biggest changes to UK data protection legislation.
3. Development of member representation and community engagement in the Lakes & Dales Region following the appointment of a new Membership and Community Officer in August 2017.

For and on behalf of the Board

Harry Cairney - **President**

John Brodie - **Chief Executive Officer**

John Dalley - **Secretary**

22 March 2018

# Corporate Social Responsibility

## Introduction

As a Co-operative Society we aim to operate our business in line with co-operative values and principles. Co-operatives UK outline a set of social responsibility indicators which provide a means for measuring this performance. 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.

## Member Economic Involvement

The Society engages InMoment, an independent customer experience company, to undertake customer feedback surveys across all of the Society's food stores. From mid-2016, customers were asked if they were members. The data from the first full year from this source indicated that member economic involvement is 14%. Last year's figure of 16% came from a survey carried out at a sample of stores so the figures are not directly comparable.

## Member Democratic Participation

170 (2016/17 - 176) members attended the Annual General Meetings on 24 and 25 April 2017 and 183 (2016/17 - 165) members attended the Ordinary General Meetings on 2 and 3 October 2017. Members meetings in the North continue to rotate to provide a greater opportunity for members to participate in meetings and more attended the OGM in October as a result of the Community Connect trial.

## Staff and Member Training

The Society continues to invest in its colleagues with around 28,750 hours of formal staff training conducted (2016/17 - 24,500) which amounts to an average of 7.05 hours per employee (2016/17 - 5.73). This training included 9,720 hours of e-learning compared to 8,850 hours last year.

Members actively participated in a total of 389 hours of training compared with last year's total of 396. The number of training hours per "active" member was 2.28 hours (where active membership for training purposes has been defined as the number of members attending the AGM) which was similar to the 2.25 hours per active member in 2016/17. In addition to the core learning sessions, additional briefing sessions on the Lobbying Act and local suppliers were also offered.

## Staff Injury and Absentee Rates

The reportable incidents involving staff have once again reduced year on year with 6 taking place compared to 10 in the prior year. This equates to 0.1% of the average total workforce. Our ongoing campaign to improve the reporting of accidents, "big or small, report them all", has continued which will be a factor in the increase to 263 compared to 219 last year. This amounts to 6.4% of the average total workforce and combined total of 6.5% (2016/17 - 5.3%). The improved reporting of all accidents helps us monitor trends and respond with more risk management activity which in turn, hopefully prevents some serious accidents occurring.

Days lost due to absence amount to 31,557 this year (2016/17 - 32,945) which represents an average of 7.7 days per employee which is broadly in line with the previous year. Absence continues to be regularly monitored.

## Staff Profile

There has been an ongoing reduction in store staff numbers to an average of 4,081 employees in 2017/18 (2016/17 - 4,274). Some store closures account for this along with improved efficiency in stores. Our gender profile is 72% female and 28% male which has not changed from last year. We will be publishing our gender pay gap statistics this year and are to review steps to address this.

Ethnicity statistics were updated this year following a full staff survey in 2015.

Ethnic Origin	% of workforce
Asian	1.6
Black	0.1
Other	0.4
White	97.9
Total	100

The ethnic mix of our staff is representative of the communities which we operate in, with the highest levels of ethnic minority colleagues reported in our urban locations in line with national demographics.

## Customer Satisfaction

Our overall customer satisfaction rate is 72% this year showing a slight decrease on the 2016 figure of 74% from the same source. This is derived from our InMoment customer survey data of our Food business. This data helps to highlight where improvements should be directed to benefit the customer experience.

## Ethical Procurement

The majority of the Society's purchases are through the Co-operative buying group known as the Federal Retail Trading Services (FRTS). The Group remain committed to the principles of sound sourcing, animal welfare, food integrity, health and ecological sustainability as set out in their Sustainability Report published in 2016. We have included our Modern Slavery Statement on page 23.



## Investment in Community and Co-operative Initiatives

We have increased our investment in community initiatives this year, partly funded from carrier bag income, with a total of £445,000 (2016/17 - £313,000) donated. Significant contributions were made this year to Social Bite, a homelessness charity and to Esrkinne which works with veterans. Our Community Connect trial has created a new way for our members to help influence where donations are directed in addition to the ongoing community grant programme across our trading areas. The total donated amounts to 9.2 % of our trading profit (2016/17 - 6.1%). More detail of the recipients is provided in the Directors' Report on pages 14 and 15. This year £7,900 (2016/17 - £24,000) was invested in co-operative initiatives.

Samaritans was chosen as the charity partner of the year for 2017/18 with aim of raising £300,000, to fund 60,000 more calls from people in crisis. To date, £121,000 has been raised by Scotmid colleagues, customers and members.

In August 2017 the charity partnership with Childline drew to a close with £345,000 raised to assist in providing confidential support to young people. The Society has raised over £1,000,000 over 3 years to support charity of the year partners.

## The Environment

We are now committed to reducing our net greenhouse gas emissions by 30% by 2020 (using 2008 as a base) having met our 20% reduction target ahead of time. We have recently commenced trials of new refrigeration which uses CO<sub>2</sub> as a refrigerant. This has the double benefit of being less harmful to the environment and heat can be reclaimed and used for general heating in the store. This should help reduce reliance on gas heating in some sites which should help us towards our target. This new refrigeration will also be fitted with doors which also help minimise energy use.

We continue to report on direct Greenhouse Gas (GHG) emissions in two ways: net emissions (that treat electricity from renewables as zero carbon emissions) and gross emissions which include electricity regardless of source in addition to gas and other sources of energy. The gross emissions, which include all energy used, are 17,233 tonnes of GHG (2016/17 – 21,409 tonnes). The change in conversion rate for gross energy has benefited this figure as the underlying position was fairly flat, with food-to-go initiatives creating new energy use.

The Society produced an estimated 2,853 tonnes of GHG (net of renewable sources) from on-site operations compared to 2,568 last year. This equates to 0.7 tonnes of net GHG per employee (2016/17 - 0.6 tonnes of GHG).

The worsening net position is driven by a small increase in gas use for heating but the difference is exaggerated by the change in conversion rate this year.

## Proportion of Waste Recycled/Reused

We continue to backhaul our waste from Food and Semichem stores. The waste is then processed for enhanced 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 4,500 tonnes of waste (2016/17 - 5,400). The proportion of waste recycled has remained level at 98% which is very close to the zero waste target.

The estimated figure for waste to landfill has reduced to 76 tonnes compared to 100 tonnes in 2016/17.

## Modern slavery statement for financial year 2017/18

This statement is made pursuant to s.54 of the Modern Slavery Act 2015 and sets out the steps that Scotmid Co-operative Society Ltd has taken and is continuing to take to ensure that modern slavery or human trafficking is not taking place within our business or supply chain.

Modern slavery encompasses slavery, servitude, human trafficking and forced labour. Scotmid has a zero tolerance approach to any form of modern slavery. We are committed to acting ethically and with integrity and transparency in all business dealings and to putting effective systems and controls in place to safeguard against any form of modern slavery taking place within the business or our supply chain. In order to progress this, a committee has been set up to review our practices and introduce revised policies and procedures to strengthen our controls in this area.

The initial focus has been to identify where the key exposures may occur. We are developing our systems to assist in ongoing monitoring of this risk. Some key high risk contracts have modern slavery clauses attached.

## Our business

As a retail co-operative society, our business model has some complexities in that we operate in different sectors. We have multiple suppliers for goods for resale and services. The most significant sector we operate in is Food convenience retailing and over 90% of our stock is purchased from the Co-operative Group via our membership of the Federal Retail Trading Services (FRTS) who have ethical buying policies and are leaders in this field. We support Fair Trade directly through local initiatives but also as part of our membership of FRTS. The majority of Semichem's suppliers are high profile manufacturers of brand leading consumer goods who publish extensively on their ethical position.

## Our high risk areas

Some of our supplies are purchased from suppliers who source outwith the EU and these suppliers are being classified as high risk. We will focus on these suppliers initially and aim to gain assurances that they do not have modern slavery occurring in their business.

# Corporate Social Responsibility and Independent Auditor's Report to Scottish Midland Co-operative Society Limited

## Our policies

We operate a number of internal policies to ensure that we are conducting business in an ethical and transparent manner. These include:

1. Recruitment policy. We operate a robust recruitment policy, including conducting eligibility to work in the UK checks for all employees to safeguard against human trafficking or individuals being forced to work against their will.
2. Whistleblowing policy. We operate a whistleblowing policy so that all employees know that they can raise concerns about how colleagues are being treated, or practices within our business or supply chain, without fear of reprisals.
3. We have a draft of Modern Slavery Policy which sets out our zero tolerance approach.

## Our suppliers

We conduct due diligence on new suppliers before uploading them onto our system. This due diligence will be revised to include steps to ensure that there is no modern slavery occurring in their business. Our standard terms and conditions now include a modern slavery clause. This will be shared with new suppliers and priority high risk suppliers.

## Training

We will design and deliver training for our procurement/buying teams so that they understand the signs of modern slavery and what to do if they suspect that it is taking place within our supply chain.

For and on behalf of the Board

Harry Cairney - President

John Brodie - Chief Executive Officer

John Dalley - Secretary

22 March 2018

## Opinion

We have audited the financial statements of Scottish Midland Co-operative Society Limited for the year ended 27 January 2018 which comprise the Group profit and loss account, Group statement of comprehensive income, Group balance sheet, Group statement of changes in shareholders funds and Group cashflow and related notes, including the accounting policies on pages 27 to 29.

### In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of the Group's and the Society's affairs as at 27 January 2018 and of the income and expenditure of the Group and the Society for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and the Society in accordance with UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The directors are responsible for the other information, which comprises the director's report, Group five year summary and corporate social responsibility report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge base solely on that work, we have not identified material misstatements in the other information.

In addition to our audit of the financial statements, the directors have engaged us to review whether their Corporate Governance Statement on pages 18 to 21 reflects the Society's compliance with provisions 43 and 123 to 152 of Co-operatives UK Limited's Corporate Governance Code for Consumer Co-operative Societies issued in November 2013 ('the Code'). We have nothing to report in this respect.

### Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

### Directors' responsibilities

As more fully explained in their statement set out on page 18 the Society's directors are responsible for the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Society in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and, in respect of the reporting on corporate governance, on terms that have been agreed. Our audit work has been undertaken so that we might state to the Society those matters we are required to state to it in an auditor's report and, in respect of the reporting on corporate governance, those matters we have agreed to state to it in our 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 for our audit work, for this report, or for the opinions we have formed.

Hugh Harvie - Senior Statutory Auditor

for and on behalf of KPMG LLP,  
Statutory Auditor

Chartered Accountants

Saltire Court, 20 Castle Terrace,  
Edinburgh, EH1 2EG  
28 March 2018

## General Information

Scottish Midland Co-operative Society Limited is a registered co-operative society domiciled in Scotland. The address of the Society's registered office and main trading address is Hillwood House, Harvest Drive, Newbridge, Edinburgh EH28 8QJ.

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 27 January 2018. The Group transitioned from previously extant UK GAAP to FRS 102 as at 26 January 2014.

## Basis of Accounting

The Group financial statements were authorised for issue by the Board of Directors on 22 March 2018. The Group financial statements are prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, applicable accounting standards and under the historical cost convention modified to include the revaluation of certain land and buildings, equity and financial instruments at fair value. The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £'000.

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 15. 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, see page 18.

## Consolidated Financial Statements

The Group financial statements consolidate the financial statements of Scottish Midland Co-operative Society Limited and all its subsidiaries. Subsidiaries are those entities controlled by the Group. Control exists when the Society has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In accordance with FRS 102, the group's interest in joint ventures is accounted for using the gross equity method of accounting.

## Accounting Date

The accounts are prepared for the 52 weeks to 27 January 2018 (2017 - 52 weeks to 28 January 2017).

## Turnover

Turnover includes cash sales, goods sold on credit and property rental income exclusive of value added tax, funeral disbursements and discounts. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured.

## Trading Profit

The Society uses the Trading Profit measure to provide additional useful information for members on underlying trends and performance. This measure is used for internal performance analysis. Trading profit is not defined in FRS102 and therefore may not be directly comparable with other societies' or companies' adjusted profit measures. Trading Profit is calculated by reference to Operating Profit but excluding exceptional items, profit/loss on disposal of fixed assets and investment property revaluation.

## Exceptional Items

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

## Investment Income

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

## Taxation

The tax charge for the period comprises both current and deferred tax.

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 also provided on timing differences arising from the revaluation of fixed assets. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

# Statement of Accounting Policies

## Tangible Fixed Assets and Depreciation

Tangible fixed assets (excluding investment properties) are held at cost less depreciation and any provision for impairment. 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, transport and fixtures - between 3 and 10 years.

Investment properties are revalued annually and the aggregate surplus or deficit is recognised in the profit and loss account. On disposal of investment properties, any related balance remaining in the non-distributable reserve is transferred to the revenue reserve. Depreciation is not provided in respect of investment properties.

## 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 profit and loss account as they accrue. Lease incentives are recognised over the shorter of the lease term or the period up to the first negotiation period within the lease.

## Goodwill

Purchased goodwill is capitalised in the year in which it arises at cost and amortised over its estimated useful life up to a maximum of 20 years with no charge for amortisation in the year of acquisition. Goodwill has been assessed through the analysis of the cash generating unit to provide a positive return over the recommended FRS102 amortisation period. Provision is made for any impairment.

## Impairment

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount (higher of value in use or fair value less costs to sell). Impairment losses are recognised in the profit and loss statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units, and then to reduce the carrying value of other fixed assets.

## 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.

## Investments

Equity investments are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through the profit and loss account). Subsequently, they are measured at fair value through profit or loss except for those equity investments that are of minimal value and are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available.

## Funeral Plans and Bonds

Amounts received in advance for funeral plans are recorded at fair value within assets and liabilities. Monies are paid into a contract for whole life insurance on the life of the customer for the purpose of providing the funeral, and the current value of these plans at the year-end are disclosed within investments. The asset and deferred income liability has been apportioned between current and long-term based upon the Group's experience of funerals carried out under its pre-payment plans. Third party funeral bonds are held at fair value with market valuation being provided by Insurer.

Scotmid funeral bonds are assessed to provide an expected return of the average cost of a funeral with interest applied and recognised through the profit and loss account.

## Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts are repayable on demand and form an integral part of an entity's cash management. Bank overdrafts are a component of cash and cash equivalents.

## Stocks

Stocks are valued in line with 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, less any provision made for bad and doubtful debts.

## Financial Instruments

The Society holds derivative financial instruments to reduce exposure to interest rate movements as an overall rate risk management strategy. The Society does not hold or issue derivative financial instruments for speculative purposes.

Derivatives entered into include interest rate swaps, caps and floors. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through the profit and loss account. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves. The Society does not undertake any hedge accounting transactions.

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

## Pension Costs

The Society operates a defined benefit funded pension scheme, a joint pension defined benefit pension scheme (with Allendale Co-operative Society Ltd) 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 profit and loss 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 comprehensive income.

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 is presented separately after other net assets on the face of the balance sheet.

For the joint funded defined benefit pension scheme recognition of the share of the deficit is based on the present value of the agreed additional payments made by the Society.

For defined contribution schemes the amount charged to the profit and loss 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 102 relating to share based payments. 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 profit and loss account.

## Provisions

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

## Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Society's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## Critical Judgements in Applying the Society's Accounting Policies

The following are the critical judgements, apart from those involving estimates (which are dealt with separately below), that the directors have made in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### Cost of Sales

Cost of sales includes recognition of rebates and overrides relating to activities conducted during the financial period and settled at a future date.

### Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating entity to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating entity and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £20,497,000.

### Investment Property Valuation

At each year-end investment properties are revalued by a third party surveyor based on recent market value conditions. Movements in the valuations are recognised through the profit and loss and risk exists on this assumption with the value only being confirmed if the property was to be sold.

### Pension Assumptions

The defined benefit pension scheme assets are measured at current market value while the liabilities are estimated on assumptions as detailed in note 18.

## Group profit and loss account for the year ended 27 January 2018

		2017-18	2016-17
		(52 weeks) total £000	(52 weeks) total £000
	notes		
<b>turnover</b>	1	373,712	376,169
cost of sales		<u>(274,708)</u>	<u>(277,554)</u>
<b>gross profit</b>		99,004	98,615
other income	2	5,219	5,745
net expenses	3	<u>(99,409)</u>	<u>(99,051)</u>
<b>trading profit</b>		4,814	5,309
exceptional items	5	(2,284)	(432)
investment property revaluation	10	3,947	5,134
profit/(loss) on disposal of fixed assets		<u>1,447</u>	<u>(276)</u>
<b>operating profit</b>		7,924	9,735
net finance charges	6	<u>(1,363)</u>	<u>(1,476)</u>
<b>surplus before distributions</b>		6,561	8,259
<b>distributions</b>			
share interest		(66)	(80)
grants and donations	7	<u>(537)</u>	<u>(556)</u>
<b>surplus before taxation</b>		5,958	7,623
taxation	8	<u>(411)</u>	<u>(1,371)</u>
<b>surplus for the financial year</b>		<u>5,547</u>	<u>6,252</u>

The results recognised during the current and prior year were from continuing operations.

The notes on pages 35 to 49 form an integral part of these financial statements.



## Group statement of comprehensive income year ended 27 January 2018

		2017-18	2016-17
		(52 weeks) total	(52 weeks) total
	notes	£000	£000
<b>surplus for the financial year</b>		<u>5,547</u>	<u>6,252</u>
actuarial gains/(losses) on defined benefit pension scheme	18	<u>3,033</u>	<u>(7,464)</u>
tax relating to components of other comprehensive income	8	<u>(566)</u>	<u>1,219</u>
<b>other comprehensive income/(loss) for the period</b>		2,467	(6,245)
<b>total comprehensive income for the period</b>		<u>8,014</u>	<u>7</u>

The notes on pages 35 to 49 form an integral part of these financial statements.

## Group balance sheet as at 27 January 2018

		2017-18		2016-17	
	notes	£000	£000	£000	£000
<b>fixed assets</b>					
intangible assets	9		20,497		22,374
tangible assets	10		132,584		126,711
investments	11		12,700		10,686
			<u>165,781</u>		<u>159,771</u>
<b>current assets</b>					
stocks - goods for resale		23,315		24,933	
debtors and prepayments	12	14,550		15,416	
cash at bank and in hand		7,205		9,137	
		<u>45,070</u>		<u>49,486</u>	
<b>current liabilities</b>					
<b>amounts falling due within one year</b>					
creditors	13	(41,355)		(44,930)	
<b>net current assets</b>			<u>3,715</u>		<u>4,556</u>
<b>total assets less current liabilities</b>			169,496		164,327
<b>long term liabilities</b>					
<b>amounts falling due after more than one year</b>					
creditors	14		(48,510)		(48,870)
<b>provisions for liabilities</b>					
other provisions	15		(2,090)		(1,341)
<b>net assets excluding pension liability</b>			118,896		114,116
<b>pension liability</b>	18		(19,340)		(22,585)
<b>net assets</b>			<u>99,556</u>		<u>91,531</u>
<b>financed by</b>					
share capital	17		6,050		6,039
non-distributable reserve			30,570		34,176
revenue reserve			62,936		51,316
<b>shareholders' funds</b>			<u>99,556</u>		<u>91,531</u>

The notes on pages 35 to 49 form an integral part of these financial statements.

The financial statements of Scottish Midland Co-operative Society Limited were approved by the Board of Directors and authorised for issue on 22 March 2018. They were signed on its behalf by:

Harry Cairney **President**

Jim Watson **Vice President**

John Dalley **Secretary**

## Group statement of changes in shareholders funds for the year ended 27 January 2018

	notes	share capital £000	non- distributable reserve £000	revenue reserve £000	total £000
<b>at 28 January 2017</b>		6,039	34,176	51,316	91,531
surplus for the financial year		-	-	5,547	5,547
transfer of realised revaluation on disposal of properties		-	(7,553)	7,553	-
actuarial gains on defined benefit pension scheme	18	-	-	3,033	3,033
tax relating to items of other comprehensive income		-	-	(566)	(566)
total comprehensive income		-	(7,553)	15,567	8,014
withdrawal of share capital	17	(55)	-	-	(55)
expenses of members capital	17	66	-	-	66
reclassification of revaluation of investment properties		-	3,947	(3,947)	-
<b>at 27 January 2018</b>		<u>6,050</u>	<u>30,570</u>	<u>62,936</u>	<u>99,556</u>

The notes on pages 35 to 49 form an integral part of these financial statements.

## Group cash flow statement for the year ended 27 January 2018

		2017-18	2016-17
		(52 weeks)	(52 weeks)
	notes	£000	£000
<b>net cash flows from operating activities</b>	19	9,496	13,882
<b>cash flows from investing activities</b>			
net proceeds/(cost) from sale of equipment		153	(123)
net proceeds from sale of investment properties		10,222	880
net proceeds from sale of investments		53	-
purchase of investment		(173)	-
purchase of investment property	10	(11,196)	(1,517)
purchase of equipment	10	(7,977)	(8,639)
interest received	6	159	78
interest paid	6	(883)	(998)
<b>net cash flows from investing activities</b>		<u>(9,642)</u>	<u>(10,319)</u>
<b>cash flows from financing activities</b>			
share interest, grants and donations		(603)	(636)
repayments of borrowings	21	(1,000)	(1,000)
new finance leases	21	814	-
repayments of obligation under finance lease	21	(1,008)	(1,149)
proceeds on issue of shares		11	51
<b>net cash flows from financing activities</b>		<u>(1,786)</u>	<u>(2,734)</u>
<b>net (decrease)/increase in cash and cash equivalents</b>		<u>(1,932)</u>	<u>829</u>
<b>cash and cash equivalents at beginning of year</b>		9,137	8,308
<b>cash and cash equivalents at end of year</b>	21	<u>7,205</u>	<u>9,137</u>
<b>reconciliation to cash at bank and in hand</b>			
cash at bank and in hand at end of year		<u>7,205</u>	<u>9,137</u>

The notes on pages 35 to 49 form an integral part of these financial statements.

## Notes to the Group Accounts

	2017-18	2016-17
<b>1. turnover</b>	<b>(52 weeks)</b>	<b>(52 weeks)</b>
	<b>£000</b>	<b>£000</b>
<b>class of business</b>		
retail / wholesale	368,017	370,698
property	5,695	5,471
turnover	<u>373,712</u>	<u>376,169</u>

For the purposes of presentation turnover is stated net of VAT, disbursements and discounts. All turnover was generated within the United Kingdom.

### 2. other income

Other income comprises of commissions on services offered including but not limited to Post Office, Lottery, vending machines and ATM's.

	2017-18	2016-17
<b>3. net expenses</b>	<b>(52 weeks)</b>	<b>(52 weeks)</b>
	<b>£000</b>	<b>£000</b>
personnel costs	54,405	53,712
occupancy costs (excluding depreciation)	17,577	17,849
depreciation of owned assets	7,686	7,990
depreciation of assets held under finance leases	582	555
amortisation of goodwill	1,877	1,879
operating lease rentals - equipment and vehicles	528	459
fees - directors and committee members	175	203
expenses and delegations - directors and committee members	25	21
auditors' remuneration	95	85
other expenses	16,459	16,298
	<u>99,409</u>	<u>99,051</u>

Included within occupancy costs is £5,080,000 relating to operating lease rentals for land and buildings (2016-17 - £5,718,000).

	2017-18	2016-17
<b>4. employees</b>	<b>total</b>	<b>total</b>
	<b>number</b>	<b>number</b>
<b>the average number employed was:</b>		
full time	1,208	1,377
part time	2,873	2,897
	<u>4,081</u>	<u>4,274</u>

	£000	£000
the costs incurred in respect of these employees were		
wages and salaries	50,059	49,995
social security costs	2,928	2,882
other pension costs	1,418	835
	<u>54,405</u>	<u>53,712</u>

Employee costs relating to property and facilities of £190,000 (2016-17 £187,000) are included within other expenses.

# Notes to the Group Accounts

	2017-18	2016-17
<b>4. employees - continued</b>	<b>(52 weeks)</b>	<b>(52 weeks)</b>
	<b>£000</b>	<b>£000</b>
<b>directors' emoluments</b>		
the total remuneration of the directors for their board and committee duties was		
fees, bonuses and delegations	<u>127</u>	<u>130</u>
the number of directors whose emoluments fell into each £2,500 bracket was		
	<b>number</b>	<b>number</b>
£2,501 - £5,000	1	-
£5,001 - £7,500	-	1
£7,501 - £10,000	10	9
£10,001 - £12,500	-	1
£12,501 - £15,000	1	1
£17,501 - £20,000	1	1
	<u>13</u>	<u>13</u>
<b>management executive emoluments</b>	<b>£000</b>	<b>£000</b>
the total remuneration of the management executive was		
wages & salaries	1,425	1,391
taxable benefits	42	51
pension and pension allowance costs	194	204
	<u>1,661</u>	<u>1,646</u>
Wages & salaries in 2016-17 include £107,000 of long-term deferred pay.		
the number of management executives, whose emoluments, excluding pension, settlement and benefits fell into each £10,000 bracket was as follows		
	<b>number</b>	<b>number</b>
£30,001 - £40,000	1	1
£90,001 - £100,000	1	1
£100,001 - £110,000	2	1
£110,001 - £120,000	-	1
£120,001 - £130,000	-	1
£190,001 - £200,000	1	-
£200,001 - £210,000	-	1
£250,001 - £260,000	1	-
£260,001 - £270,000	-	1
£410,001 - £420,000	1	-
£440,001 - £450,000	-	1
	<u>7</u>	<u>8</u>

## Notes to the Group Accounts

	2017-18	2016-17
5. exceptional items	(52 weeks)	(52 weeks)
	£000	£000
business integration, disruption and rationalisation costs	2,284	432
	<u>2,284</u>	<u>432</u>

Business integration, disruption and rationalisation costs include reorganisation costs, costs of the anticipated closure of stores, range rationalisation and legacy costs and income.

	2017-18	2016-17
6. net finance charges	(52 weeks)	(52 weeks)
	£000	£000
<b>interest payable</b>		
funeral bond interest	908	394
bank overdraft and loan interest	793	873
finance leases	46	68
other interest	44	57
interest cost on pension scheme liabilities	2,504	2,668
	<u>4,295</u>	<u>4,060</u>
total interest payable		
<b>less - interest receivable and investment income</b>		
expected return on pension scheme assets	1,865	2,112
unlisted investments	54	55
other interest	1	13
funeral bond interest	908	394
movement in fair value of derivatives	104	10
	<u>2,932</u>	<u>2,584</u>
total interest receivable		
<b>total</b>	<u>1,363</u>	<u>1,476</u>

	2017-18	2016-17
7. grants and donations	(52 weeks)	(52 weeks)
	£000	£000
member relation activities & grants	500	526
donations	37	30
	<u>537</u>	<u>556</u>

# Notes to the Group Accounts

	2017-18	2016-17
<b>8. taxation</b>	<b>(52 weeks)</b>	<b>(52 weeks)</b>
	<b>£000</b>	<b>£000</b>
<b>8a. profit and loss account and other comprehensive income</b>		
<b>current taxation</b>		
UK corporation tax charge for the year	1,317	1,076
adjustment in respect of prior years	(123)	(123)
<b>total current taxation</b>	<b>1,194</b>	<b>953</b>
<b>deferred taxation</b>		
origination and reversal of timing differences	(1,018)	777
adjustment in respect of prior years	114	(226)
adjustment due to change of tax rate	121	(133)
<b>total deferred taxation</b>	<b>(783)</b>	<b>418</b>
<b>total profit and loss account taxation charge</b>	<b>411</b>	<b>1,371</b>
<b>other comprehensive income items</b>		
deferred tax in current year charge/(credit)	566	(1,219)

## 8b. taxation reconciliation

The tax in the profit and loss account for the year is lower (2016-17 lower) from the standard rate of corporation tax in the UK. The difference is explained below.

<b>surplus before tax</b>	<b>5,958</b>	<b>7,623</b>
<b>tax on surplus at standard rate of corporation tax in the UK of 19.16% (2016-17: 20%)</b>	<b>1,142</b>	<b>1,525</b>
<b>factors affecting tax charge for the year</b>		
expenses not deductible for tax	177	642
sale of investment properties	669	124
indexation allowance	(1,690)	(470)
effect of tax rate changes	121	(133)
adjustment to tax in respect of prior years	(8)	(350)
other	-	33
<b>tax charge for the year</b>	<b>411</b>	<b>1,371</b>



## 8b. taxation reconciliation - continued

### expenses not deductible for tax

The adjustments for expenses not deductible are permanent differences between the amounts included in the Society's financial results and the amounts that are included in the calculation of the taxable profit during a current or later period. The most significant adjustments in the current period relate to depreciation on fixed assets that do not qualify for capital allowances and consolidation adjustments for the defined benefit pension scheme.

### sale of property

Substantial capital gains can be realised through the sale of properties that the Society has owned for many years. In the year, the gain from the sale of Morningside Road has been partly offset from the loss on a previously revalued asset absorbed into the Society following a prior transfer of engagements.

### indexation allowance

Indexation allowance is an allowance for inflation. In calculating any corporation tax due on properties and other fixed assets, the Society is able to increase its cost for tax purposes for inflation from the date of acquisition. The estimated indexation in the year relates to indexation on investment properties not yet sold and indexation on trading properties sold in the year.

### change in tax rates

The UK Government has enacted legislation to reduce the main rate of UK corporation tax from 20% to 19% with effect from 1 April 2017, plus a further reduction to 17% from 1 April 2020. This reduction in the tax rate impacted the current tax charge in the reporting period resulting in a weighted-average rate for the period ending 27 January 2018 of 19.16%. These reductions in the tax rate impacted the deferred tax charge and closing deferred tax position, and will impact the current tax charge in future periods.

Deferred tax on timing differences expected to materially unwind over the medium to long-term have been recognised in the accounts at a rate of 17%. These rate reductions have been reflected in the calculation of the deferred tax at the balance sheet date.

### adjustments to tax in respect of prior years

Adjustments to tax charges in earlier years arise because the tax charge in the financial statements is estimated before the detailed corporation tax calculations are prepared. Additionally, HM Revenue & Customs (HMRC) may not agree with the tax return that was submitted for a year and the tax liability for a previous year may be adjusted as a result. Where the final tax charge differs from the estimate an adjustment is included in the following period's financial statements.

### other

Other adjustments mainly comprise tax on allocation of partnership profits (for Scotmid Pension GP Ltd) and gains on disposal of fixed assets which do not qualify for capital allowances. An Asset Backed Funding arrangement which transferred ownership of properties from the Society to Scotmid Limited Pension Partnership provides contributions to the pension scheme until 2031.

The deferred tax asset is calculated on the deficit in the scheme recognised in the Society accounts and the element of Asset Backed Funding contribution not yet tax deductible. The deficit recognised by the Society of £10,172,000 (2016-17 - £12,944,000) is lower due to the different accounting treatment of the Asset Backed Funding arrangement in the Society and these group accounts.

The taxation charge in the other comprehensive income is the deferred taxation (at a rate of 19%) on the actuarial gain on the Society's defined benefit pension scheme.

### tax policy and strategy

The Society approved an updated tax policy on 6 April 2016, to pay the appropriate taxes we owe by seeking to pay the right amount of tax (but no more) at the right rate, in the right place and at the right time. A full copy of the tax policy and strategy is published on our website.

# Notes to the Group Accounts

	2017-18	2016-17
	£000	£000
<b>8c. deferred taxation</b>		
<b>deferred tax</b>		
provision at beginning of year	17	(784)
adjustment in respect of prior years	(114)	226
deferred tax charge to income statement in the period	897	(644)
deferred tax charge to other comprehensive income statement in the period	(566)	1,219
<b>deferred tax provision at the end of the year</b>	<u>234</u>	<u>17</u>
<b>deferred tax assets/(liabilities)</b>		
fixed asset timing differences	(2,133)	(2,847)
short term timing differences	1,947	2,444
losses	420	420
<b>deferred tax provision at the end of the year</b>	<u>234</u>	<u>17</u>
The fixed asset timing difference liability mainly relates to investment property revaluation. The short term timing differences asset mainly relates to the defined benefit pension scheme.		
Tax losses are from the transfer engagements of Penrith and Seaton Valley Societies and are expected to be utilised against the future profits within these parts of the Society's business.		
<b>deferred tax assets</b>		
recoverable within 12 months	217	243
recoverable after 12 months	2,257	2,736
<b>deferred tax assets</b>	<u>2,475</u>	<u>2,979</u>
<b>deferred tax liabilities</b>		
payable within 12 months	(376)	-
payable after 12 months	(1,865)	(2,962)
<b>deferred tax liabilities</b>	<u>(2,241)</u>	<u>(2,962)</u>

## 9. intangible assets

<b>goodwill</b>	<b>cost £000</b>	<b>amortisation £000</b>	<b>balance sheet value £000</b>
at the beginning of the year	52,363	(29,989)	22,374
amortisation provided for the year	-	(1,877)	(1,877)
at the end of the year	<u>52,363</u>	<u>(31,866)</u>	<u>20,497</u>

## Notes to the Group Accounts

10. tangible fixed assets	land & buildings £000	investment properties £000	plant vehicles & fixtures £000	total £000
<b>cost or valuation</b>				
28 January 2017	31,123	79,356	115,414	225,893
additions	-	11,196	7,977	19,173
disposals	(76)	(8,645)	(12,081)	(20,802)
reclassification	(14)	4	-	(10)
revaluation	-	3,947	-	3,947
27 January 2018	31,033	85,858	111,310	228,201
<b>depreciation</b>				
28 January 2017	12,800	-	86,382	99,182
provided for the year	763	-	7,505	8,268
disposals	(46)	-	(11,777)	(11,823)
reclassification	(10)	-	-	(10)
27 January 2018	13,507	-	82,110	95,617
balance sheet value at 28 January 2017	18,323	79,356	29,032	126,711
balance sheet value at 27 January 2018	17,526	85,858	29,200	132,584

The net book value of the group's fixed assets includes £1,839,000 (2016-17 - £2,027,000) 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.

Investment properties were independently valued by Chartered Surveyors D M Hall LLP and Sanderson Weatherall LLP as at 27 January 2018 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 £15,365,000 (2016-17 - £14,385,000) of properties held by Scotmid Pension Limited Partnership. These properties provide security for the Asset Backed Funding Arrangement put in place during 2012-13.

# Notes to the Group Accounts

	long term	current	total	long term	current	total
II. investments	2017-18	2017-18	2017-18	2016-17	2016-17	2016-17
	£000	£000	£000	£000	£000	£000
funeral bond investment	10,275	882	11,157	8,684	630	9,314
<b>unlisted investments</b>						
Co-operative Group shares	1,341	-	1,341	1,341	-	1,341
other C & CB Societies	2	-	2	2	-	2
others	210	-	210	39	-	39
joint ventures	(16)	-	(16)	(16)	-	(16)
	<u>1,537</u>	<u>-</u>	<u>1,537</u>	<u>1,366</u>	<u>-</u>	<u>1,366</u>
<b>listed investments</b>						
others	6	-	6	6	-	6
	<u>11,818</u>	<u>882</u>	<u>12,700</u>	<u>10,056</u>	<u>630</u>	<u>10,686</u>

	funeral bond investments £000	unlisted investments £000	listed investments £000	total £000
<b>cost or valuation</b>				
balance sheet value at 28 January 2017	9,314	1,366	6	10,686
additions	1,671	173	-	1,844
disposals	(736)	(2)	-	(738)
interest gain	908	-	-	908
balance sheet value at 27 January 2018	<u>11,157</u>	<u>1,537</u>	<u>6</u>	<u>12,700</u>

The listed investments are considered minimal and therefore, in line with our policy have been stated at cost. The market value of the listed investments at 27 January 2018 was £26,000 (2016-17 - £30,000) and therefore the fair value would add £20,000 (2016-17 - £24,000) if restated.

The group's significant undertakings include Botterills Convenience Stores Limited, Trade Smart Marketing Limited, Scotmid Pension (GP) Limited, Scotmid Pension (IP) Limited, Scotmid Pension Limited Partnership, and Scotmid Property & Services Limited. The net assets and activities of the subsidiary undertakings are included in these group accounts. The group has significant shareholding in The Start Up-Drinks Lab Limited.

FRS102 requires financial investment to be recognised and funeral bonds with third parties are now included above. The funeral bonds are held at fair value with market valuation being provided by insurer.

The group has an interest in a joint venture. The principal activity of this company is property development, is incorporated in Great Britain and registered in Scotland. The Society's investment value in Scotmid - Miller (Great Junction Street) Limited represents 50% of the net assets/liabilities of the companies. The most recent balance sheets of the company is shown opposite.

11. investments - continued	Scotmid - Miller (Great Junction Street)	
	2017-18	2016-17
	£000	£000
gross assets	6	6
gross liabilities	(22)	(22)
net liabilities	(16)	(16)
net investment	(16)	(16)

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 been completed, no significant further liabilities are expected to arise.

12. debtors and prepayments due within one year	2017-18	2016-17 (restated)
	£000	£000
trade debtors	1,526	1,390
prepayments and other debtors	12,790	14,009
deferred tax (see note 8)	234	17
	<u>14,550</u>	<u>15,416</u>

13. creditors falling due within one year	2017-18	2016-17
	£000	£000
trade creditors	19,862	20,563
holiday pay	318	483
VAT	1,900	1,819
funeral bond deferred income	882	630
other sundry creditors	4,552	4,354
accrued charges	10,248	13,147
PAYE and social security	779	1,410
bank loan (see note 14)	2,000	1,000
obligations under finance leases (see note 14)	527	810
corporation tax payable	287	714
	<u>41,355</u>	<u>44,930</u>

# Notes to the Group Accounts

	2017-18	2016-17
	£000	£000
<b>14. creditors falling due after more than one year</b>		
bank loans	37,000	39,000
obligations under finance leases	419	330
funeral bond deferred income	11,091	9,540
	<u>48,510</u>	<u>48,870</u>
<b>borrowings are repayable as follows:</b>		
<b>bank loans</b>		
between one and two years	37,000	2,000
between two and five years	-	37,000
	<u>37,000</u>	<u>39,000</u>
on demand or within one year	2,000	1,000
	<u>39,000</u>	<u>40,000</u>
<b>finance leases</b>		
between one and two years	206	330
between two and five years	213	-
	<u>419</u>	<u>330</u>
on demand or within one year	527	810
	<u>946</u>	<u>1,140</u>
<b>funeral bond deferred income</b>		
between one and two years	882	630
between two and five years	2,646	1,890
after five years	7,563	7,020
	<u>11,091</u>	<u>9,540</u>
on demand or within one year	882	630
	<u>11,973</u>	<u>10,170</u>
<b>total bank loans, deferred income, and finance leases excluding bank overdraft</b>		
between one and two years	38,088	2,960
between two and five years	2,859	38,890
after five years	7,563	7,020
	<u>48,510</u>	<u>48,870</u>
on demand or within one year	3,409	2,440
	<u>51,919</u>	<u>51,310</u>

The above bank loans are secured by a standard security over specific properties owned 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.

Third party funeral bonds are held at fair value with market valuation being provided by insurer. Scotmid funeral bonds are assessed to provide an expected return of the average cost of a funeral with interest applied and recognised through the profit and loss account.

The Group's bank loan of £39,000,000 (£40,000,000 2016-17), is repayable £2,000,000 in 2018/19, £1,000,000 on 31 March 2019 and the balance of £36,000,000 on the 20th December 2019. Gross borrowing to net assets, minimum EBITDA, capital expenditure and loan to value are covenants associated with the facility. Interest rate is LIBOR plus 1.4%.

**15. provisions**

	£000
28 January 2017	(1,341)
additions	(924)
utilised	175
27 January 2018	<u>(2,090)</u>

	2017-18 £000	2016-17 £000
<b>16. derivatives</b>		
<b>derivative financial instruments held to manage interest rates</b>		
interest rate derivatives (at fair value)	<u>(75)</u>	<u>(179)</u>

The Society's interest rate derivatives with a value of £12,500,000 have been taken out to hedge interest rate risk on the bank loan and are measured at fair value using mid-market price at each reporting date. The resulting gain or loss is recognised in the profit and loss account. The Society does not enter into derivatives for speculative purposes. These derivatives mature between February 2018 and January 2020.

	2017-18 £000	2016-17 £000
<b>17. share capital</b>		
at beginning of year	6,039	5,988
interest	<u>66</u>	<u>80</u>
	6,105	6,068
contributions	<u>99</u>	<u>136</u>
	6,204	6,204
withdrawals	(154)	(165)
at end of year	<u>6,050</u>	<u>6,039</u>

(i) share capital comprises 6,050,000 shares (2016-17 - 6,039,000) of £1 attracting interest at 1.25% (2016-17 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, regardless of the number of shares held.

**18. accounting for pension costs**

The Society contributed to a number of defined contribution pension schemes during the year. The assets of these schemes are held separately from those of the Society in independently administered funds. The costs relating to these schemes are included within note 4. Following a review of the Society's pension schemes the Society ceased to participate in all legacy defined contribution schemes and instead made the NEST scheme available.

The Society operates a defined benefit funded pension scheme, the Scottish Midland Co-operative Society Pension Plan (the Scotmid scheme). The scheme has three sections, the Scotmid Final salary section, the Penrith Final salary section and the Retiral Cash Balance section. The Penrith Final salary section was created following the bulk transfer of all assets, liabilities and members from the Penrith Co-operative Society Limited Superannuation Fund (the Penrith scheme) on 31 December 2013. The Scotmid and Penrith Final salary sections are both closed to new entrants and ceased future accrual on 15 June 2013. The Retiral Cash Balance section became available to new entrants, subject to membership criteria, from 1 March 2013.

# Notes to the Group Accounts

## 18. accounting for pension costs - continued

The most recent full actuarial valuation was carried out at 28 January 2017 and updated on 21 February 2018 by Mr Murray Wright, Fellow of the Institute and Faculty of Actuaries. The actuarial valuation method used was the projected unit method.

		at 27 January 2018	at 28 January 2017
<b>the major assumptions used by the actuary were</b>			
rate of increases in pensions accrued post 05/04/97	LPI 5% (RPI)	3.00%	3.20%
	LPI 2.5% (RPI)	2.10%	2.20%
rate of increase in deferred pensions	LPI 2.5% (RPI)	2.50%	2.50%
rate of increase in deferred pensions	LPI 2.5% (CPI)	2.15%	2.40%
discount rate		2.55%	2.90%
inflation assumption		3.15%	3.40%
life expectancy retiring today	male	85.5 years	85.8 years
	female	89.1 years	89.5 years
life expectancy in 20 years	male	87.3 years	87.8 years
	female	90.7 years	91.5 years

Investigations have been carried out within the past four years into the mortality experience of the Society's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The above assumed life expectations are based on retirement at age 60.

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows.

	2017-18	2016-17
	£000	£000
current service cost	1,322	751
net interest cost	639	556
	<u>1,961</u>	<u>1,307</u>

The amount included in the balance sheet arising from the Society's obligations in respect of its defined benefit retirement schemes is as follows.

	at 27 January 2018	at 28 January 2017
present value of defined benefit obligations	(88,474)	(87,021)
fair value of scheme assets	69,134	64,436
deficit	<u>(19,340)</u>	<u>(22,585)</u>
net liability recognised in the balance sheet	<u>(19,340)</u>	<u>(22,585)</u>

Seaton Valley Co-operative Society Ltd shared a funded defined pension scheme with Allendale Co-operative Society Ltd. Recognition of the share of the deficit is calculated based on the present value of the agreed additional contribution payments to be made by Scotmid through to September 2019, £94,000.



## Notes to the Group Accounts

	2017-18	2016-17
	£000	£000
<b>18. accounting for pension costs - continued</b>		
<b>analysis of the movement in the scheme deficit in the year</b>		
opening deficit in the scheme	(22,429)	(15,511)
current service cost	(1,322)	(751)
contributions	2,111	1,853
net financing charge	(639)	(556)
actuarial gain/(loss)	3,033	(7,464)
<b>closing scheme deficit</b>	<b>(19,246)</b>	<b>(22,429)</b>
transfer of incoming society pension deficit	(94)	(156)
<b>total deficit</b>	<b>(19,340)</b>	<b>(22,585)</b>
<b>reconciliation of present value of scheme liabilities</b>		
opening defined benefit obligation	87,021	73,217
service cost	1,322	751
interest cost	2,504	2,668
contributions by employees	580	400
actuarial loss	49	13,118
benefits paid	(2,940)	(3,066)
contribution towards Seaton Valley pension fund	(62)	(67)
closing defined benefit obligation	88,474	87,021
<b>reconciliation of present value of scheme assets</b>		
opening fair value of the scheme assets	64,436	57,483
expected return	1,865	2,112
actuarial gain	3,082	5,654
contributions by employer	2,111	1,853
contributions by employees	580	400
benefits paid	(2,940)	(3,066)
closing fair value of the scheme assets	69,134	64,436
<b>analysis of the fair value of scheme assets at the balance sheet date was as follows</b>		
equities	39,806	35,237
other	1,706	2,418
asset backed funding arrangement contribution	969	969
buy-in	21,944	22,082
liability driven investment	4,709	3,730
<b>total market value of assets</b>	<b>69,134</b>	<b>64,436</b>

In setting the expected return on the assets as at 27 January 2018, we have taken into account the yields on government bonds and quality corporate bonds and the advice of JLT's in-house investment consultancy practice.

# Notes to the Group Accounts

	2017-18	2016-17
	£000	£000
<b>18. accounting for pension costs - continued</b>		
<b>history of experience gains and losses</b>		
<b>amounts taken to the consolidated statement of comprehensive income</b>		
actual return less expected return on pension scheme assets	3,082	5,654
experience gains arising on the scheme liabilities	2,183	272
changes in assumptions underlying the value of scheme liabilities	(2,232)	(13,390)
	<hr/>	<hr/>
actuarial gain/(loss) before tax adjustments	3,033	(7,464)

	2017-18	2016-17 (restated)
	£000	£000
<b>19. cash flow statement: reconciliation of surplus for the year on ordinary activities to net cash inflow from operating activities</b>		
operating profit	7,924	9,735
<b>adjustment for</b>		
gain on investment properties	(3,947)	(5,134)
(surplus)/loss on disposal of fixed assets	(1,447)	276
insurance reclaim	-	336
depreciation charges	8,268	8,545
amortisation of goodwill	1,877	1,879
decrease/(increase) in stocks	1,618	(716)
decrease/(increase) in debtors	1,083	(1,158)
(decrease)/increase in creditors and other provisions	(3,408)	653
movement in pension liability	(851)	(1,169)
corporation tax (paid)/received	(1,621)	635
	<hr/>	<hr/>
net cash inflow from operating activities	9,496	13,882

	2017-18	2016-17
	£000	£000
<b>20. cash flow statement: reconciliation of net cash flow to movement in net debt</b>		
(decrease)/increase in cash for year	(1,932)	829
cash outflow from change in net debt and lease financing	1,194	2,149
	<hr/>	<hr/>
movement in net debt for the year	(738)	2,978
opening net debt	(32,003)	(34,981)
	<hr/>	<hr/>
closing net debt	(32,741)	(32,003)

## Notes to the Group Accounts

21. cash flow statement: analysis of net debt	at 28 January 2017 £000	cashflow £000	other non-cash charges £000	at 27 January 2018 £000
cash at bank and in hand	9,137	(1,932)	-	7,205
debt due after 1 year	(39,000)	-	2,000	(37,000)
debt due within 1 year	(1,000)	1,000	(2,000)	(2,000)
finance leases repaid	(1,140)	1,008	-	(132)
new finance leases	-	(814)	-	(814)
	(41,140)	1,194	-	(39,946)
total	(32,003)	(738)	-	(32,741)

## 22. operating lease commitments

	land & buildings	plant, vehicles & fixtures	land & buildings	plant, vehicles & fixtures
	2017-18 £000	2017-18 £000	2016-17 £000	2016-17 £000
leases which expire				
within one year	832	27	884	67
within two to five years	5,356	727	6,552	1,056
after five years	19,890	-	22,447	-
	26,078	754	29,883	1,123

At 27 January 2018 the commitment to make total future minimum lease payments in respect of operating leases is shown above.

## 23. related parties

There were no transactions undertaken in the year with related parties other than the remuneration with key personnel management as disclosed in note 4.

## Board Members

Board Directors	Board	General Purposes	Audit	Remuneration	Search
Mr H Cairney (P)	14	2 (C)			5(C)
Mr J Watson (VP)	14	2		5(C)	
Mr J Anderson Δ	14	2	3 (C)		
Mrs S Downie	13				5
Mr I Gilchrist	13				4
Mr T McKnight *	11		3		
Mr J Miller *	14			4	
Mr D Paterson	13		3		
Mr M Ross	11				2
Mr A Simm *	13	2		5	
Mrs G Smallman *	12			1	5
Mr E Thorn	13		3		
Miss A Williamson	12	0		3	
Total meetings held	14	2	3	5	5

Meetings held from 28 January 2017 - 27 January 2018

### Key

P = President, VP = Vice President, C = Committee Chair.

### Directors

\* At the OGM held on 2 & 13 October 2017 John Miller, Tom McKnight, Andy Simm and Grace Smallman were re-elected to serve as Directors for 3 year terms of office.

Δ John Anderson will retire from the Board and North Regional Committee at the AGM held on 1 May 2018 with the thanks from the Board for his long and valued service.

Harry Cairney, David Paterson and Jim Watson are Directors of Scotmid Pension Trustee Limited, the sole trustee for the Scottish Midland Co-operative Society Limited Pension Plan. John Anderson is a Director of Co-operatives UK and David Paterson is a Director of Co-operative News and a Member of The Co-operative Group Member Council.

Following a review by the Search Committee, the Board appointed Grace Smallman to the Remuneration Committee from the Search Committee, Sandra Williamson to the Audit Committee from the Remuneration Committee and Tom McKnight to the Search Committee from the Audit Committee.

## Regional Committee Members

East Regional Committee		West Regional Committee		North Regional Committee	
Miss A Williamson (C)	9	Mr A Simm (C)	7	Mr J Anderson (C)	9
Mr H Cairney (VC)	9	Mr J Watson (VC)	9	Dr R McCready (VC) ‡	8
Mr D Paterson (MS)	9	Mr J Gilchrist (T)	8	Mrs M Smith (MS) ◊	9
Mr A Clark Hutchison	9	Mr M Ross (MS) ◊	6	Mrs A Anderson ‡	9
Mr C Henderson	8	Mr S Ballantyne ◊	8	Mr A Cullen	5
Mr K Kelly	7	Ms K Harmon	8	Mrs S Downie ◊	9
Mr J Mackenzie	7	Mr I Gilchrist ◊	9	Mrs E Farquhar ◊	8
Mrs R McCabe ◊	9	Mrs M Kane ◊	8	Mr A Maclean	8
Mr J Miller ◊	8	Mr T McKnight	6	Mr D Patterson ‡	7
Mr D Reid †	7	Mr G Randell ◊	7	Ms E Pipe	9
Mrs J Reid	9	Mrs K Scott	9	Mr A Stokes	7
Mrs G Smallman ◊	9	Ms R Smith	4		
Mr E Thorn	7				
Total meetings held	9	Total meetings held	9	Total meetings held	9

Meetings held from 28 January 2017 - 27 January 2018

### Key

C= Committee Chair; VC = Vice Committee Chair; MS = Minute Secretary; T = Treasurer.

◊ Regional Committee Members due to retire by rotation in April and May 2018 and are eligible for re-nomination to the Regional Committee.

‡ North Regional Committee Members who have been nominated by their Committee to stand for election to the Board and are eligible for election

† David Reid will retire from the East Regional Committee at the AGM held on 30 April 2018 with the thanks from the Board for his long and valued service.

# Notice of Meeting and Agenda of Business

Notice is hereby given that an Annual General Meeting of the Society will be held on Monday, 30 April 2018 at 6:30pm at The Thistle Suite, Murrayfield Stadium, Edinburgh EH12 5PJ and 7:00pm at DoubleTree by Hilton, Strathclyde Business Park, Phoenix Crescent, Bellshill, ML4 3JQ and on Tuesday 1 May 2018 at 6:30pm at Apex City Quay Hotel, 1 West Victoria Dock Road, Dundee DDI 3JP.

## Agenda of business

1. Appointment of Scrutineers
2. Community Connect Presentations and Voting
3. Synopsis of Minutes of Ordinary General Meetings held on 2 & 3 October 2017  
Regional Committee Elections

<b>East Region</b>	4 Members to serve for 3 years
<b>North Region</b>	4 Members to serve for 3 years; and 1 Member to serve for 2 years
<b>West Region</b>	4 Members to serve for 3 years.
<b>Lakes &amp; Dales Penrith area</b>	1 Member to serve for 3 years
4. Election to the Board:

<b>North Region</b>	1 Member to serve for 1½ years
---------------------	--------------------------------
5. Directors' Report/Annual Accounts.
6. Synopses of Minutes of Board Meetings.
7. Membership & Community Development Report.
8. General business.
9. Any other competent business

## Admission to general meeting

If you have been a Member for 6 months or more and wish to attend the meeting please complete the registration form on the Society's website or call the Membership team on 0131 335 4433. North and West Region Members who joined by 31 January 2018 and wish to attend the Community Connect presentations, cast their votes and observe the remainder of the AGM should also register to attend the meeting. If you plan on attending the meeting and would prefer the Chairman to ask a question on your behalf, you may submit your question in advance of the meeting in writing, by telephone or via the Society's website.

The deadline for registration and to submit questions prior to the Meeting is Monday 23 April 2018 at 4:00pm.

Members will be admitted to the General Meeting by presenting their admission ticket and Share Book. With the exception of Members living in West Lothian who may attend and vote at the meetings in either Edinburgh or Hamilton all other Members will only be entitled to vote for Members to represent that region where they live unless approval is granted by the Secretary in advance of the meeting.

The East meeting will start at promptly at 7:00pm. To ensure there are no disruptions late entry will not be permitted. The North and West meetings will start promptly at 6:30pm for Community Connect presentations and voting and at 7:00pm for the remainder of the AGM. Members will not be admitted to the meeting once the Community Connect voting has concluded.

The next General Meeting (Ordinary General Meeting) will be held on Monday 1 October 2018 at Hamilton/Bellshill and Edinburgh and on Tuesday 2 October 2018 in Brechin/Montrose.



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