

# Scotmid coop



## Annual Report & Financial Accounts

for year ended 26 January 2019



Turnover  
up £4m to  
£378m

Trading profit  
up £0.5m to  
£5.3m

Net assets  
up £3.5m to  
£103m



Scotmid 

**OUR CORE PURPOSE:**

To serve our communities  
and improve people's  
everyday lives.

1,161 good cause  
groups benefited  
from Scotmid  
Community Grants

£315,000 raised  
for Samaritans, our  
charity of the year  
partner 2017-18

Supported larger  
organisations including  
Social Bite,  
Erskine & Keep  
Scotland Beautiful

# CONTENTS

Board Directors & Management Executive	2
Directors' Report	3-15
Group Five Year Summary	16-17
Statement of Directors' Responsibilities	18
Governance Report	18-21
Corporate Social Responsibility	22-24
Independent Auditor's Report	25-26
Statement of Accounting Policies	27-29
Group Profit and Loss Account	30
Group Statement of Comprehensive Income	31
Group Balance Sheet	32
Group Statement of Changes in Shareholders Funds	33
Group Cash Flow Statement	34
Notes to the Group Accounts	35-49
Board & Regional Committee Members	50-51
Notice of Meeting & Agenda of Business	52

## Advisors and Registered Office

### Independent Auditor

KPMG LLP

### Bankers

The Royal Bank of Scotland plc, HSBC UK Bank plc

### Solicitors

Anderson Strathern WS

### Registered Office

Hillwood House, 2 Harvest Drive, Newbridge, EH28 8QJ  
Society Registration Number SP2059RS

# Board Directors & Management Executive

## Board of Directors



Harry Cairney  
President



Sheila Downie



Iain Gilchrist



Kaye Harmon



Richard McCready



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



North Committee Member, Angus Maclean opened the new store in Drumnadrochit.

**The Directors are pleased to present their report for the financial year ended 26 January 2019.**

The Society produced a positive performance in the year with a trading profit of £5.3m compared to £4.8m last year. This strong result was achieved through the implementation of a range of continuous improvement initiatives and was boosted by the hottest summer in 40 years, all while operating with the background of a lacklustre economy, Brexit uncertainty and the cumulative burden of significant cost increases. The Society recorded turnover of £378m, an increase of £4m on the previous year, and is in a strong financial position with net assets at a record level of £103m.

Our Scotmid food convenience business bore the brunt of the cost increases including business rates, energy and employment costs, but delivered a strong like-for-like sales performance assisted by range improvements and the favourable weather. The market conditions for Semichem were very poor, with the Scottish Retail Consortium reporting non-food sales down 2.2% (like-for-like) and Northern Ireland being particularly hard hit by the Brexit uncertainty. In this context, Semichem did well to deliver an underlying result marginally down on last year with a number of trials underway and hard decisions taken. The funeral business had a mixed year but recovered to finish strongly. Scotmid Property delivered a record trading contribution and a positive asset valuation, benefiting from letting activity and successful property sales and re-investment in-line with our diversification strategy.

During the year the Society's Community Connect initiative continued to grow in popularity with both members and good cause groups. It was rolled out across all trading areas in Scotland leading to increased attendance at member meetings and enabling members to decide on the levels of support given to community groups. In-line with our core purpose ("to serve our communities and improve peoples' everyday lives") we also provided significant financial support to the Upstream Battle campaign by Keep Scotland Beautiful, the award winning "cooperation band" and the Erskine veterans hospital.

Last year-end, we highlighted the cloud of an uncertain Brexit and that 2018 was likely to be yet another difficult year for retailers generally. This prediction has been confirmed with a large number of high street retailers hit hard by market issues and the extension of Brexit uncertainty with the possibility of "no deal". The impact of Brexit on the economy and cross border trade was particularly felt in our Semichem stores in Northern Ireland. However, the Society performed strongly despite cost increases and the very challenging general market conditions with the benefit of favourable weather for our food retail business and strong income growth from property. As we head towards our 160th anniversary on 4 November 2019, the Society will continue with the continuous improvement philosophy and focus on innovation, effective investment and tight control of costs to continue to make progress in this unforgiving and uncertain retail market.



## FOOD RETAIL

Scotmid's food convenience stores delivered like-for-like sales growth well ahead of the Scottish market in the year. This strong sales performance was driven by improvements in range and the very favourable summer weather. Our stores managed the introduction of legislation changes in the year including minimum unit pricing on alcohol in Scotland, which may have created a more level playing field on price for smaller stores compared to the large multiples. The background trading environment continued to be challenging with the retail market under pressure and the general economic and Brexit uncertainty. The costs of trading also continued to rise significantly, including the National Living Wage, business rates, energy costs, card payment fees and the Apprenticeship Levy.

The extremes of weather in the year were notable with heavy snowfall in early March followed by the record breaking summer. The 'Beast from the East' brought increased sales as customers shopped locally, but these benefits were eroded in the following weeks due to a phased recovery of the Coop distribution network. In contrast, the network performed well in the extended period of hot summer weather helping to ensure availability of product and a significant increase in sales which also benefited from the 2018 World Cup. Trading benefited from an improved range of Coop branded products and the further development of our "food-to-go" offer. Food-to-go range development in the year included burgers, chicken, potato wedges and selective trials of pizza, fries, ice cream and breakfast muffins. As well as investment in food-to-



Above: The Uddingston store with new branding following a comprehensive refit in July 2018.

Top right: New energy efficient refrigeration is being rolled out across stores.

go infrastructure, the Society continued to invest in the general store estate including the introduction of a new state-of-the-art store built in Drumnadrochit. Stores in East Calder, Moredun, Bankton and Uddingston were also refurbished during the year, bringing greater energy efficiency, improved refrigeration and new Scotmid coop branding incorporating the International Cooperative Alliance "coop" logo.

Overall, it has been a productive year for the Society's food convenience business achieving very positive results in the face of significant external cost pressures in a highly competitive market. The success of the business was acknowledged externally with our Clarkston store winning the Bakery Retailer of the Year and Ratho the Food-to-Go Award at the Scottish Grocer Awards. Bankton received the Food-to-Go Retailer of the Year and Energy Efficiency Award at the UK Convenience Awards.



The SC Beauty trial store in Foyle side, Northern Ireland.



## SEMICHEM



Semichem continues to operate in an extremely difficult market with the challenges facing retailers magnified by rising costs and the uncertainty caused by external events such as Brexit. Structural changes in the retail industry have put extra pressure on the high street channel and a number of high profile retailers went into administration in 2018. The non-food retail market was particularly hard hit in the year with non-discretionary spend held back by the background economic conditions and declining consumer confidence.

Semichem continues to be pro-active in the face of these significant market pressures and a number of tough business decisions were made in 2018 to help re-base costs. Like-for-like sales in our Scottish stores were broadly in-line with Scottish Retail Consortium reported sales in 2018 but it was a particularly difficult year for our stores in Northern Ireland, where the impact of Brexit uncertainty was felt the most.

Continuous improvement activity in the year included in-store trials testing the impact of new layouts, category space allocation, range consolidation and new

ranges. Four full store trials were launched with a modern and fresher new look with the ability to browse and shop our fragrance offer, an increased range of cosmetics, skincare and health and beauty products whilst maintaining all the essentials of a traditional Semichem store. Two of the stores were rebranded as SC Beauty and two remained under the Semichem fascia allowing us to evaluate the benefit of the equity in the Semichem brand.

In addition to the trials, store investment in the year included a pop-up store at Seaton Delaval, a number of mini refits and infrastructure upgrades including store PC's and tablets for field based support teams. Following the successful renewal of the lease at the Livingston warehouse, investment was made in the warehouse IT system, wifi, roll cages and racking. The benefit of this investment to improve picking efficiency has enabled the release of a third of the warehouse space for letting by the Society's property business.



# FUNERAL



Scotmid Funeral sales in 2018-19 were at a similar level compared to last year, with a marginal increase in the number of funerals conducted. The year started and finished strongly but was difficult in the middle part of the year. Competition in the market intensified with more focus on basic and direct to the crematorium funerals. Following the success of our 90th anniversary funeral plan offer in 2017, there was a reduction in the number of funeral plans written this year but demand for our bespoke, fully guaranteed funeral plans continued to be strong.

A new funeral portacabin office was opened in Clermiston, adjacent to our food store. Investment in support infrastructure continued with a private ambulance and Mercedes people carrier and S-Class Mercedes limousine purchased. Mini refurbishments including the new Scotmid coop signage were also completed at a number of branches.

As an influential member of the National Association of Funeral Directors, the Society has been working with the Scottish Government on the implications of the Burial and Cremation Act 2016 (Scotland). This Act has led to the appointment of an HM Inspector of Funeral Directors (Scotland) who has visited a number of our funeral offices. The inspector published her first report in July and we welcome the focus brought on strong and consistent industry wide standards. The wider UK market has also seen significant developments in the year with the announcement of a review of funeral plans by the FCA and a Competition Commission enquiry into the pricing of funerals.

The new funeral brand has been rolled out to the majority of the offices including Liberton in Edinburgh.

# PROPERTY



The newly built Drumnadrochit food store which includes four commercial units for letting.

2018-19 was a very positive year for the Society's Property business with record trading income and a capital valuation of the investment portfolio exceeding the £90m milestone for the first time in the Society's history.

Rental income growth was strong in both commercial and residential property, helped by the successes of letting activity and our diversification strategy. Commercial rental income rose year-on-year from successful re-investments as well as new lettings and lease renewals, despite the loss of a significant long term tenant due to relocation. Residential rental income growth was driven by new investment, rental growth and reduced voids. Demand for quality private rented accommodation remains strong which is keeping voids low while achieving modest rental growth. The fundamental changes to residential tenancy law in Scotland introduced in 2017 have had no adverse impact on our residential income.

There have been some favourable economic conditions helping to underpin the property markets – unemployment

figures are at record lows and despite a quarter point base rate increase in 2018, the outlook for interest rates is benign in the short to medium term. The driver of capital growth was the residential portfolio which is heavily weighted to the strong Edinburgh market. Despite the Brexit uncertainties, both residential and commercial property markets in general have continued to function relatively smoothly. An orderly Brexit should result in a positive for property markets, but "no deal" or disorderly departure could prove very disruptive. Delays in the Brexit process are likely to impact on investment decisions and have a dampening effect on growth.

In line with the Society's strategy to diversify and strengthen the portfolio, a quality townhouse office in central Glasgow was acquired and a portfolio of four High Street retail shops in Wishaw were sold. Rosewell House, part of the Society's Newbridge office block was fully let for the first time since 2015 together with lets for a number of smaller retail units in Edinburgh, Lanarkshire and Northumbria.

# SOCIETY MATTERS & CENTRAL SUPPORT



Scotmid surplus after tax for the financial year was £4.5m. As well as a positive trading performance, this result also included a number of non-recurring items including exceptional costs, gain on sale and revaluation gain. The revaluation gain of £3.8m on our investment property portfolio was mainly driven by strong growth in the value of the Society's residential investment properties in Edinburgh. A new deficit recovery plan was agreed with the Pension Trustee during the year which resulted in a one-off payment of £0.75m together with annual payments of £1.3m towards the scheme deficit, backed by additional security from an Asset Backed Funding arrangement. Overall it was a very positive year for the Society financially with net debt reducing by £3.3m to £29.4m. The Society's balance sheet was strengthened further as shareholders' funds and net assets increased by £3.5m to the record level of £103m.

The Society's banking facilities with The Royal Bank of Scotland were due for renewal at the end of 2019. Following a tender exercise, new five year banking facilities were agreed with HSBC effective from March 2019. The facility includes a £40m revolving credit and a £4m overdraft.

The Society would like to record our thanks to RBS who have been Scotmid's banking partner for over 25 years and we look forward to another long-term and successful relationship with our new banking partner.

Following the administration of Conviviality Plc, the retail part of the business was bought by Bestway who decided that franchise stores in Scotland were not a priority at present. The trial with Scotmid in Scotland was therefore postponed and our Bargain B's stores in Troon, Stevenson and Annan were closed.

As part of the Society's complementary diversification strategy, Scotmid has a minority (33%) investment in The Start-Up Drinks Lab. This Scottish business provides product development, bottling and manufacturing services to craft soda soft drinks companies. The business started trading in premises in Port Glasgow in the spring and has traded successfully to achieve a bottom-line result ahead of plan.

In response to the cumulative cost challenges Scotmid's support teams continued to focus on "Make it Simple" projects in 2018. The programme is a series of projects and process improvements to

Above: 18 "GROW" candidates successfully completed the training course designed to progress employees from supervisor to store manager.

Above left: The Manager of Spey Road completed the GROW programme and went on to win the Christmas incentive award.

Right: The rollout of energy efficient CO<sup>2</sup> fridges has continued.



save task in our retail stores. For example, central ordering of ambient products to save time in our food stores, the removal of paper delivery notes for Coop deliveries and the introduction of a process to sell ambient products past their 'best before' date to reduce food waste, in line with zero waste initiatives.

Cross functional teams have also supported a range of other projects and initiatives including: the introduction of the new data protection regulations (GDPR); Energy efficiency measures in store (new energy efficient CO<sup>2</sup> fridges and aerofoils); new workshop training courses with Edinburgh College; upgrades to e-learning training modules and a significant investment in store IT. This included back-office PCs, printers and secure wifi so that in total, 1,500 new pieces of IT equipment were deployed in support of our frontline branches.

The Society would like to record our thanks to Tom McKnight who retired from the Scotmid Board after 10 years of service and welcome Kaye Harmon who was elected to replace him.




The Society has held the Fair Tax Mark accreditation since 2016, demonstrating that we pay the right amount of tax in the right way at the right time.

# MEMBERSHIP DEVELOPMENT COMMUNITY & CHARITY ACTIVITY



The project to update the Society's membership database was completed in the year. Members were updated on the project at the OGM in October 2018 with notices posted in-store subsequent to the meeting. As a result 119,000 members have been identified with a share balance of less than £10, who have potentially lost contact with the Society. The member register has been updated accordingly and the share capital attributable to these members has been temporarily moved into suspense. There is a further two year period for these members to get in contact and ask to be reinstated onto the share register. The newly refreshed register will assist us in engaging better with our members and the share capital released in two years' time will be available for Society community and good cause projects.

Two editions of the Society's members' magazine, Jigsaw, were distributed during the year, featuring the support given to local communities, and of donations to larger community/charitable organisations.

## Community and Charitable Activities

Since the Society's Community Connect initiative was introduced in 2017, Scotmid's

members have voted to award £155,000 of community funding to 18 good cause groups. The scheme goes from strength to strength and is now active across the Society's Scottish trading areas. Members are entered into a monthly prize draw each time they shop to win up to £100 in Society vouchers plus additional member benefits. As a result of positive member feedback, Community Connect was further improved during the year by the introduction of in-store voting and the future aim is to roll Community Connect out to the Lakes & Dales area.

During 2018 the Society's Regional Committees distributed over £135,000 in Community Grants to 1,161 local community groups across our trading area, and some inspiring case studies of the impact of these grants are provided on pages 14 and 15 of this report.

Scotmid also supported a number of charities and major community projects with the proceeds of the 5p single use carrier bags. Erskine, a charity, which cares for military veterans received funding for the creation of a Recreation Garden – coinciding with the 100-year anniversary of the end of World War One. The donation to the Erskine Home in Bishopton will

£135k

Distributed in Community Grants during 2018

1,161

Community groups within our trading area supported

£1.7m

Raised for charity over last 5 years

£300k

Target for this year's charity partnership



Opposite page: The winners of the West Region Community Connect at the OGM in October 2018.

Above: Our partnership with Samaritans concluded in August 2018 with £315,000 having been raised for the charity.

enable the 180 veteran residents to enjoy a revitalised recreation garden with new furniture, accessible flower beds and replanted borders. Keep Scotland Beautiful was given funding towards their Upstream Battle project aimed at preventing marine littering and to support their nationwide Spring Clean 2019 programme and support was given to the "cooperation band", Scotland's award winning brass band. Scotmid also helped those in need over the festive period by partnering with charities who support the homeless to provide 3,000 Christmas dinners and toiletry gifts across Scotland. In recognition of the tremendous support given to local communities Laurencekirk store was awarded the inaugural Scottish Grocers Federation Community Hero Award 2018.

For over a decade, the Society has been committed to the promotion of Fairtrade across all our trading areas. Fairtrade Fortnight 2018 culminated with a special festival event at the Out of the Blue Drill Hall in Edinburgh, once again sponsored by Scotmid. The Society also contributed to dozens of events across our trading areas which were well attended by a range of people from across the community.

At the end of August 2018, Scotmid concluded our Charity of the Year partnership with the Samaritans and, thanks to the efforts of members, colleagues and customers, the Society raised £315,000 bringing the charity partner total raised in the last five years to £1.7m. From September 2018, the Society's new charity partner became the Scottish SPCA with a target of £300,000 to fund a programme designed to educate primary and secondary schoolchildren about animal welfare.

### Political Donations

Donations to the national Co-operative Party amounted to £14,000 and the Scottish Cooperative Party of £25,000.

### Appreciation

On behalf of the Directors, I would like to thank all members, customers and colleagues for their support over the year.

Signed on behalf of the Directors

Harry Cairney  
Society President

# COMMUNITY CASE STUDIES

In 2018, 1,161 local good cause groups successfully applied for a Community Grant and were awarded funding which enabled them to bring projects to life in their communities.



In our West Member Region, **Forth Valley College's Back4Life programme** applied for a Community Grant after a successful trial of the 'I am the Machine' initiative. The Back4Life programme aims to change the mind-set of labour intensive workforces, so people recognise that pre-work warm-up and post-work cool-down along with back care exercises are vital to reduce the number of injuries to the next generation of people working in labour intensive industries.

The group also wanted the wider community to benefit and wished to reach individuals at higher risk of back and

joint issues for example the elderly and people with mobility problems. Tailored sessions will be run to provide information on back health and raise awareness on how exercise can help to reduce injury or help ease existing issues.

With the help and support of the Society the new mobile health equipment will be used across the whole Forth Valley area (Falkirk, Stirling and Clackmannanshire) in a wide range of community and business settings including care homes, community centres, businesses, schools and nurseries.

Details of more community grants and activity can be found at [scotmid.coop](http://scotmid.coop)





**Silver City Blues Masters Swimming Club** (Aberdeen) encourages adults who wish to continue to swim regularly, whether competitively, for fitness or just for the social side.

Founded in 1985, the aim of the club is to provide regular, coached training sessions for swimmers of all standards and abilities. The club has members with a wide range of abilities and ages. The club has been Scottish Masters Champions for seven consecutive years and competes at competitions across Britain, as well as internationally.

One of the main functions of the club is to encourage and help members to develop excellent swimming technique. The club received a Community Grant to purchase a new piece of communication equipment developed to enable coaches to speak directly to swimmers. Now, coaches can advise swimmers how to make corrections to their technique while they are actually swimming. Apart from the benefits to each individual's swimming ability, the skill improvement helps motivate and encourage participation in this excellent physical and mental activity.



**Northern Ice Wheelchair Curling Team** is the only wheelchair curling team in England, with its members coming from across the North East, including their captain, who lives near our three stores in Seaton Delaval, Northumberland.

All of the team are permanent wheelchair users. The captain said: "The club not only offers us the chance to keep physically active, it also truly gives us a new lease of life and something to aspire towards."

The team received a Community Grant to help towards the cost of purchasing new insulated jackets for training sessions and competitions.



In Scotmid's East Member Region, **Columcille** is a charity which provides a range of creative activities for adults with learning disabilities. Their activities offer clients the opportunity to develop social and life skills in a community setting, whilst boosting confidence and self-esteem.

The group have had a centre in Newbattle Terrace, Edinburgh for the last 23 years and operate five days a week. They applied for a Community Grant to purchase branded aprons for their Centre Café which is both a social hub and a working space. The clients assist with the tea & coffee breaks, cooking and serving of lunches and the clear up afterwards.

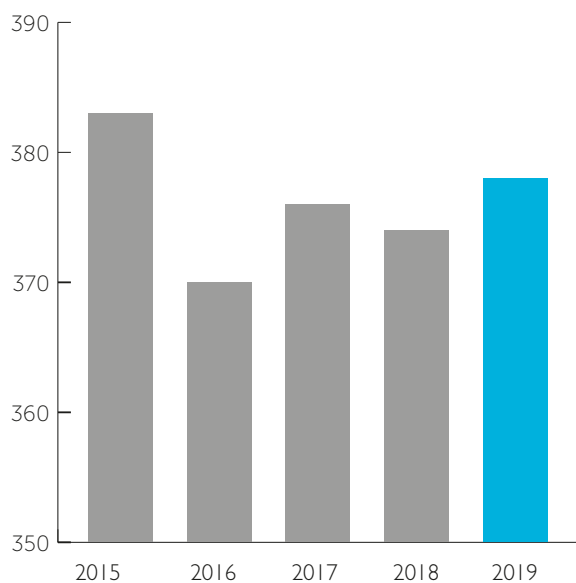
All the meals are freshly prepared each day and even use produce from their garden which they renovated several years ago.

## Group Five Year Summary

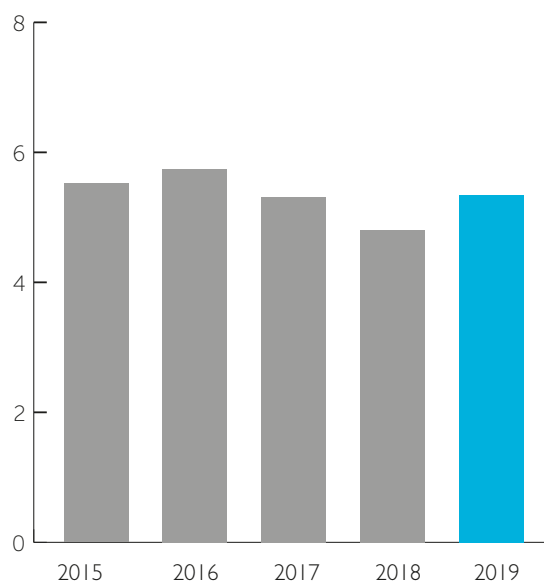
	2018-19	2017-18	2016-17	2015-16	2014-15
	52 weeks	52 weeks	52 weeks	52 weeks	53 weeks
number of members	155,343	268,125	266,627	265,499	260,977
	£000	£000	£000	£000	£000
turnover	377,856	373,712	376,169	370,620	382,869
trading profit	5,339	4,814	5,309	5,740	5,528
operating profit	8,291	7,924	9,735	7,829	5,616
surplus before taxation	6,360	5,958	7,623	5,446	3,181
surplus for the financial year	4,485	5,547	6,252	4,301	2,121
depreciation and amortisation	9,815	10,145	10,424	10,615	10,316
net finance costs	1,324	1,363	1,476	1,709	1,815
purchase of fixed assets	11,834	19,173	10,156	7,837	7,999
fixed assets	170,369	165,781	159,771	154,811	152,397
net current (liabilities)/assets	(31,608)	3,715	4,556	3,937	3,532
total assets less current liabilities	138,761	169,496	164,327	158,748	155,929
less long term liabilities	(13,797)	(48,510)	(48,870)	(49,284)	(49,897)
less provision for liabilities and charges	(2,703)	(2,090)	(1,341)	(2,257)	(1,512)
less pension liability	(19,236)	(19,340)	(22,585)	(15,734)	(20,866)
net assets	103,025	99,556	91,531	91,473	83,654
share capital	6,059	6,050	6,039	5,988	5,874
revenue reserves	62,135	62,936	51,316	55,953	51,626
non-distributable reserve	34,831	30,570	34,176	29,532	26,154
shareholders funds	103,025	99,556	91,531	91,473	83,654

Member numbers were reduced in 2018-19 following an update of the member register to remove lost contact members. Short term liabilities are impacted by the refinancing of bank arrangements as detailed in note 14.

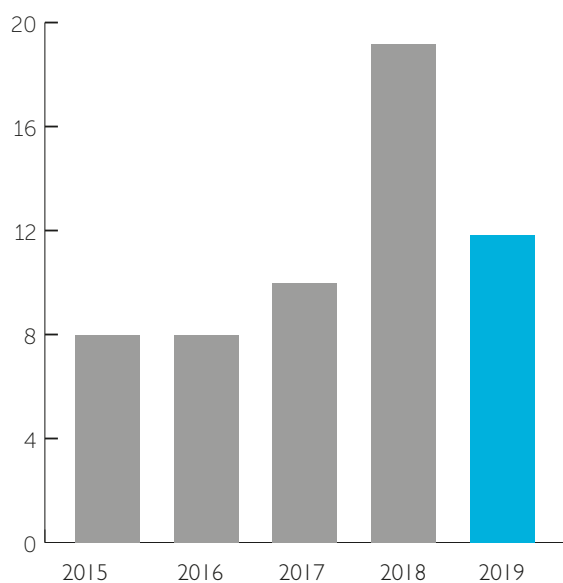
### Turnover (£ millions)



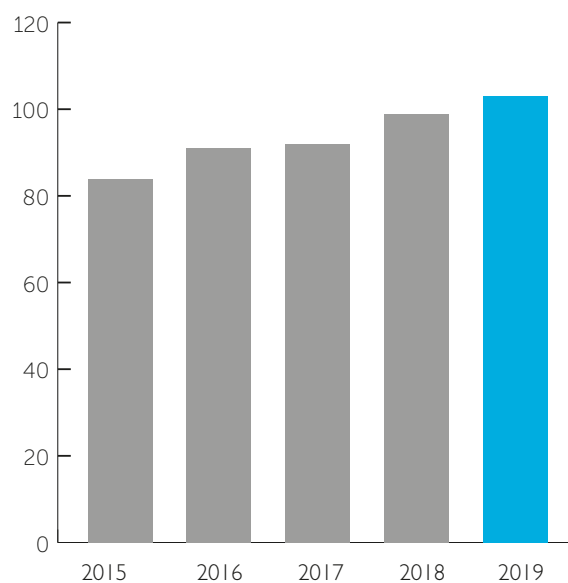
### Trading profit (£ millions)



### Purchase of fixed assets (£ millions)



### Net assets (£ millions)



# 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 the 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

following the replacement of bank facilities in place at the year end with a new 5 year agreement with HSBC. The Society now meets its funding requirements through a combination of a revolving credit facility and an overdraft facility. The overdraft facility is renewable annually in March and 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) 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.
- 6) 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.

AGMs in the Society's North region are rotated annually to enable members from across that region the opportunity to attend a meeting closer to their home location.

- 7) 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 Directors' Report on pages 12 to 15.

## Regional Democracy

Members are currently represented across three Society Regions (North, East & West) and the Society aims to create a fourth Region to serve members living in the Lakes & Dales area. Regional members' meetings are held 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 Committees 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. Contested elections were held in the East Region in 2018 with uncontested elections in the North and West regions. 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 a trial Regional Panel are being progressed.

## 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. Rule changes were approved at the OGM to align the terms of Board and Regional Committee members terms of office and to amend the timing of Regional Committee and Board elections to enable all elections for elected members to take place at future AGMs. Following the development of the North Regional Committee and as part of the transitional arrangements, the Board increased its size to 13 members by creating an additional seat for a North Regional Committee member to represent members from that

## Governance Report

region. Directors are nominated by Regional Committee members and elected by members from the Regions they represent. One retired employee is a Board member, there are no recently retired employee Board members and no Board member is employed by the Society. Two directors retired during 2018/19 leading to a contested election being held at the North AGM and an uncontested election being held at the West OGM.

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 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.

### 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 2018/19. Following the retirement of John Anderson at the AGM 2018, Eddie Thorn was appointed as the Committee Chair and Michael Ross was appointed to the Committee from the Search Committee. 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 2018/19 has been produced and audit plan for 2019/20 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 five directors, none of whom are employees, recently retired employees or the President of the Society. Richard McCready was appointed to the Remuneration Committee following his election to the Board on 1 May 2018. 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 salary information in the bandings in Note 4 provides appropriate disclosure of Board and Management Executive remuneration for Scotmid Society

although not in the format recommended in Co-operatives UK's best practice.

## 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 four directors. Tom McKnight retired on 1 October 2018 and was replaced by Kaye Harmon while Michael Ross moved to the Audit Committee on 13 September 2018 from the Search Committee which met 4 times in 2018/19.

The 2018/19 Board skills evaluation process was undertaken internally by directors completing a self-assessment questionnaire to enable the evaluation of individual director skills. Directors were also asked to review the operational practices of the Remuneration Committee 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 2019.

The results and recommendations arising from the evaluation of the Regional Committee were also reviewed by the Search Committee following its annual 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 2019.

Fewer training sessions were arranged for Board and Regional Committee members during the year with training focused on chairing meetings, visits to local

suppliers and First Aid training provided by St Andrews First Aid, a charity supported by the Society.

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 8 years, within the 9 year limit.

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

1. The roll out of the Society's Community Connect initiative across Scotland was completed by October 2018 with the opportunity given for members to vote in store or at meetings to award funding to good cause groups across the 3 regions. A range of member only benefits have also been developed as part of the trial and are being implemented on a phased basis to determine their success.
2. A review and cleanse of the Society's membership database to encourage members to reconnect with us and allow a more representative membership figure to be reported. Following the process set out in the Society's rules, the number of registered members has been reduced with the associated share capital held in suspense and available for release in two years.

For and on behalf of the Board

Harry Cairney

**President**

John Brodie

**Chief Executive Officer**

John Dalley

**Secretary**

21 March 2019

## 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

During the financial year, InMoment, an independent customer experience company, collated customer feedback surveys across all of the Society's food stores. Customers were asked if they were members. The data from a full year from this source indicated that member economic involvement is estimated at around 14% which is in line with last year's part year information.

## Member Democratic Participation

225 (2017/18 - 170) members attended the Annual General Meetings on 30 April 2018 and 1 May 2018 and 178 (2017/18 - 183) members attended the Ordinary General Meetings on 1 and 2 October 2018. Member attendance at regional AGM and OGMs increased with the staggered roll out of the Society's Community Connect initiative across the Regions and the opportunity for members to vote at meetings to award funding to good cause groups. North Region members were also able to attend their North AGM in Dundee as part of the ongoing rotation of this meeting to provide an opportunity to participate in meetings.

## Staff and Member Training

The Society has increased training investment in colleagues due to enhanced food hygiene training to support our food-to-go operation and also due to a renewal cycle for alcohol licensing which commenced in the year. This amounted to 34,275 hours of formal staff training conducted (2017/18 - 28,750) which was an average of 8.75 hours per employee (2017/18 - 7.05). This training included 15,441 hours of e-learning compared to 9,720 hours last year.

A reduced number of training sessions were offered to members during 2017/18 resulting in 272 hours of training being received compared with last year's total of 389. The number of training hours per "active" member reduced to 1.2 hours from 2.28 in 2017/18 (where active membership for training purposes has been defined as the number of members attending the AGM). This reduction being due to a combination of fewer training hours undertaken and increased member attendance at AGMs). Training on chairing meetings, visits to local suppliers and First Aid training provided by St Andrews First Aid, a charity supported by the Society, were offered during the year.

## Staff Injury and Absentee Rates

The reportable incidents involving staff amount to 9 incidents compared to 6 in the prior year. This equates to 0.2% of the average total workforce. Our ongoing campaign to improve the reporting of accidents, "big or small, report them all", has continued which explains the increase to 281 compared to 263 last year. This amounts to 7.2% of the average total workforce and combined total of 7.4% (2017/18- 6.5%). 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.

This year 30,722 days were lost through absenteeism (2017/18 - 31,557), an average of 7.8 days per employee. This compares to a Society average of 7.7 days last year. The UK National average was 6.6 days but this is not industry specific. (Health & Well Being at Work Survey Report May 2018 - formally CIPD Absence Management Report).

## Staff Profile

The Society had an average of 3,919 employees in 2018/19 compared to 4,081 in 2017/18 which continues the trend we have seen in recent years. This comes from a small number of store closures and some efficiency improvements in the business with greater use of technology.

The staff profile by gender at the year-end was 70% female and 30% male, compared to the profile in 2017/18 which was 72% female and 28% male. Our gender pay gap information is now published and we are taking steps to address this.

Our staff profile by ethnicity is based on a sample of the workforce that responded to a 2015 survey. It has been adjusted for starters and leavers in subsequent years.

Ethnic Origin	% of workforce
Asian	1.9
Black	0.1
Other	0.8
White	97.2
Total	100.0

The ethnic mix of our staff is representative of the communities in which we operate, 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 73% which is in line with last year's figure of 72%. This is taken from our InMoment customer survey data for our food business.

## 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 Coop Way Report published in 2017. We have included our Modern Slavery Statement on page 23.

## Investment in Community and Co-operative Initiatives

Investment in community activities continued throughout the year, partly funded from income received through the sale of single use carrier bags with a total of £740,000 (2017/18 - £445,000) donated. Significant contributions were made this year to Keep Scotland Beautiful, one of Scotland's environmental charities to help fund their Upstream Battle project aimed at changing behaviours and preventing marine litter at source together with their annual Spring Clean 2019 project. Charities helping the homeless across Scotland were also supported through donations to provide over 3,000 meals and toiletry gifts during the Christmas period to those in need. Assistance was also given to "the cooperation band", formerly known as The Co-operative Funerallcare Band, the most successful brass band in Scottish competition history which has won the Scottish Championships on 33 occasions and which celebrated its 100-year anniversary last year.

In addition to the ongoing community grant programme, the rollout of the Community Connect trial was completed in October 2018 when members across all Scottish trading areas were able to vote in store and at Regional OGMs to decide where donations were awarded to good cause groups in their regions. Donated amounts totalled 13.9% of our trading profit (2017/18 - 9.2%). More detail of the support given has been provided in the Directors' Report on pages 12 to 15. In 2018/19 £3,000 (2017/18 - £7,900) was invested in co-operative initiatives.

For the first time in the Society's Charity Partnership history, SSPCA in conjunction with RSPCA and USPCA were chosen as the charity partner of the year for 2018/19 with the aim of raising £300,000 to help create opportunities for children to learn about animal welfare. To date, £141,000 has been raised by Scotmid colleagues, customers and members which will help fund education sessions for 172,230 children.

In August 2018 the charity partnership with the Samaritans drew to a close with £315,000 raised to assist in providing confidential support for those in need. The Society again raised over £1,000,000 over 3 years to support charity of the year partners.

## The Environment

Scotmid have reviewed our target for reducing Greenhouse Gas (GHG) emissions and have set a new target to reduce the Gross GHG by 50% by 2020 (using 2008 as a base). Our previous target centred around Net GHG emissions which was not truly representative of our position as it only applied to gas which is a small element of our overall energy use. Scotmid continue to be committed to reducing our energy consumption, investing in new refrigeration systems which use more environmentally friendly CO<sup>2</sup> as a refrigerant, and investigating additional energy

saving ventures. We continue to report on direct 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 13,754 tonnes of GHG (2017/18 -17,233 tonnes). The reduction is partly due to the change in conversion rate for gross energy and partly due to reductions in Electricity and Gas usage. The Society produced an estimated 2,595 tonnes of GHG (net of renewable sources) from on-site operations compared to 2,853 last year. This equates to 0.7 tonnes of net GHG per employee (2017/18 - 0.7 tonnes of GHG).

## 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 providers. As a result we estimate that we have recycled 5,000 tonnes of waste (2017/18 - 4,500). The proportion of waste recycled has increased to 99% which is very close to the zero waste target. The estimated figure for waste to landfill has fallen by 35%, reducing to 50 tonnes compared to 76 tonnes in 2017/18.

## Modern Slavery statement for financial year 2018/19

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.

## 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 higher risk areas

We have undertaken an extensive review of our supply chain to identify areas where there may be more exposure to risk across all areas of the business. We have considered geography, product sector and labour models when classifying. We are currently working through the highlighted suppliers to gain assurance that they are free from modern slavery.

## 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 Modern Slavery Policy which sets out our zero tolerance approach.

## Our suppliers

We conduct due diligence on all new suppliers as part of the approval process. Our due diligence process will continue to evolve as we seek to ensure we minimise our exposure to modern slavery. Our standard terms and conditions now include a modern slavery clause. This will be shared with new suppliers and priority suppliers.

## Training

We will continue to educate 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**

21 March 2019

## Opinion

We have audited the financial statements of Scottish Midland Co-operative Society Limited for the year ended 26 January 2019 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 Society's affairs as at 26 January 2019 and of the income and expenditure of 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.

## The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and

challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Society or to cease their operations, and as they have concluded that the Group and the Society's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we

considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Society's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Society will continue in operation.

## Other information

The directors are responsible for the other information, which comprises the directors 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. Based 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  
29 March 2019

## 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, 2 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 26 January 2019. 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 21 March 2019. 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 investments 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 26 January 2019 (2017 - 52 weeks to 27 January 2018).

## 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. Changes in fair value are included in the Group Profit and Loss Account. 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 £18,620,000.

## 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 26 January 2019

		2018-19 (52 weeks)	2017-18 (52 weeks)
		total	total
	notes	£000	£000
<b>turnover</b>	1	377,856	373,712
cost of sales		<u>(277,594)</u>	<u>(274,708)</u>
<b>gross profit</b>		100,262	99,004
other income	2	4,930	5,219
net expenses	3	<u>(99,853)</u>	<u>(99,409)</u>
<b>trading profit</b>		5,339	4,814
exceptional items	5	(2,297)	(2,284)
investment property revaluation	10	3,754	3,947
profit on disposal of fixed assets		<u>1,495</u>	<u>1,447</u>
<b>operating profit</b>		8,291	7,924
net finance charges	6	<u>(1,324)</u>	<u>(1,363)</u>
<b>surplus before distributions</b>		6,967	6,561
distributions			
share interest		(67)	(66)
grants and donations	7	<u>(540)</u>	<u>(537)</u>
<b>surplus before taxation</b>		6,360	5,958
taxation	8	<u>(1,875)</u>	<u>(411)</u>
<b>surplus for the financial year</b>		<u>4,485</u>	<u>5,547</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 for the year ended 26 January 2019

		2018-19 (52 weeks)	2017-18 (52 weeks)
		total	total
	notes	£000	£000
<b>surplus for the financial year</b>		<u>4,485</u>	<u>5,547</u>
actuarial(losses)/gains on defined benefit pension scheme	18	<u>(1,171)</u>	<u>3,033</u>
tax relating to components of other comprehensive income	8	<u>146</u>	<u>(566)</u>
<b>other comprehensive (loss)/income for the period</b>		<u>(1,025)</u>	<u>2,467</u>
<b>total comprehensive income for the period</b>		<u>3,460</u>	<u>8,014</u>

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

## Group Balance Sheet as at 26 January 2019

	notes	£000	2018-19 £000	£000	2017-18 £000
<b>fixed assets</b>					
intangible assets	9		18,620		20,497
tangible assets	10		46,396		46,726
investment properties	10		90,810		85,858
investments	11		<u>14,543</u>		<u>12,700</u>
			170,369		165,781
<b>current assets</b>					
stocks - goods for resale		24,780		23,315	
debtors and prepayments	12	12,525		14,550	
cash at bank and in hand		<u>9,170</u>		<u>7,205</u>	
		<u>46,475</u>		<u>45,070</u>	
<b>current liabilities</b>					
<b>amounts falling due within one year</b>					
creditors	13		<u>(78,083)</u>		<u>(41,355)</u>
<b>net current (liabilities)/assets</b>			<u>(31,608)</u>		<u>3,715</u>
<b>total assets less current liabilities</b>			138,761		169,496
<b>long term liabilities</b>					
<b>amounts falling due after more than one year</b>					
creditors	14		(13,797)		(48,510)
<b>provisions for liabilities</b>					
deferred taxation	8		(559)		-
other provisions	15		<u>(2,144)</u>		<u>(2,090)</u>
<b>net assets excluding pension liability</b>			122,261		118,896
<b>pension liability</b>	18		(19,236)		(19,340)
<b>net assets</b>			<u>103,025</u>		<u>99,556</u>
<b>financed by</b>					
share capital	17		6,059		6,050
non-distributable reserve			34,831		30,570
revenue reserve			62,135		62,936
<b>shareholders' funds</b>			<u>103,025</u>		<u>99,556</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 21 March 2019. 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 26 January 2019

	notes	share capital £000	non- distributable reserve £000	revenue reserve £000	total £000
<b>at 27 January 2018</b>		6,050	30,570	62,936	99,556
surplus for the financial year		-	-	4,485	4,485
transfer of realised revaluation on disposal of properties		-	507	(507)	-
actuarial losses on defined benefit pension scheme	18	-	-	(1,171)	(1,171)
tax relating to items of other comprehensive income		-	-	146	146
<b>total comprehensive income</b>		<hr/> -	<hr/> 507	<hr/> 2,953	<hr/> 3,460
withdrawal of share capital	17	(58)	-	-	(58)
expenses of members capital	17	67	-	-	67
reclassification of revaluation of investment properties		-	3,754	(3,754)	-
<b>at 26 January 2019</b>		<hr/> 6,059	<hr/> 34,831	<hr/> 62,135	<hr/> 103,025

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

## Group Cash Flow Statement for the year ended 26 January 2019

		2018-19 (52 weeks)	2017-18 (52 weeks)
	notes	£000	£000
<b>net cash flows from operating activities</b>	19	12,041	9,496
<b>cash flows from investing activities</b>			
net proceeds from sale of equipment		9	153
net proceeds from sale of investment properties		4,514	10,222
net proceeds from sale of investments		5	53
purchase of investment		-	(173)
purchase of investment properties	10	(3,300)	(11,196)
purchase of equipment	10	(8,534)	(7,977)
interest received	6	105	159
interest paid	6	(63)	(44)
<b>net cash flows from investing activities</b>		<u>(7,264)</u>	<u>(8,803)</u>
<b>cash flows from financing activities</b>			
share interest, grants and donations		(607)	(603)
repayments of borrowings	21	(2,000)	(1,000)
new finance leases	21	1,255	814
repayments of obligation under finance lease	21	(598)	(1,008)
proceeds on issue of shares		9	11
interest paid	6	(871)	(839)
<b>net cash flows from financing activities</b>		<u>(2,812)</u>	<u>(2,625)</u>
<b>net increase/(decrease) in cash and cash equivalents</b>		<u>1,965</u>	<u>(1,932)</u>
<b>cash and cash equivalents at beginning of year</b>		7,205	9,137
<b>cash and cash equivalents at end of year</b>	21	<u>9,170</u>	<u>7,205</u>
<b>reconciliation to cash at bank and in hand</b>			
cash at bank and in hand at end of year		<u>9,170</u>	<u>7,205</u>

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

<b>1. turnover</b>	<b>2018-19</b>	<b>2017-18</b>
<b>class of business</b>	<b>(52 weeks)</b>	<b>(52 weeks)</b>
	<b>£000</b>	<b>£000</b>
retail / wholesale	371,762	368,017
property	6,094	5,695
turnover	<u>377,856</u>	<u>373,712</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.

<b>3. net expenses</b>	<b>2018-19</b>	<b>2017-18</b>
	<b>(52 weeks)</b>	<b>(52 weeks)</b>
	<b>£000</b>	<b>£000</b>
personnel costs	54,700	54,717
occupancy costs (excluding depreciation)	18,050	17,577
depreciation of owned assets	7,343	7,686
depreciation of assets held under finance leases	595	582
amortisation of goodwill	1,877	1,877
operating lease rentals - equipment and vehicles	585	528
fees - directors and committee members	242	175
expenses and delegations - directors and committee members	23	25
auditors' remuneration for group accounts	90	84
auditors' remuneration for subsidiary accounts	10	10
auditors' remuneration for non-audit	1	1
other expenses	16,337	16,147
	<u>99,853</u>	<u>99,409</u>

Included within occupancy costs and other expenses is £4,977,000 relating to operating lease rentals for land and buildings (2017-18 - £5,080,000).

<b>4. employees</b>	<b>2018-19</b>	<b>2017-18</b>
	<b>total</b>	<b>total</b>
	<b>number</b>	<b>number</b>
the average number employed was:		
full time	1,235	1,208
part time	2,684	2,873
	<u>3,919</u>	<u>4,081</u>

the costs incurred in respect of these employees were

	<b>£000</b>	<b>£000</b>
wages and salaries	50,132	50,371
social security costs	2,932	2,928
other pension costs	1,636	1,418
	<u>54,700</u>	<u>54,717</u>

## Notes to the Group Accounts

### 4. employees - continued

2018-19  
(52 weeks)

2017-18  
(52 weeks)

#### directors' emoluments

£000

£000

the total remuneration of the directors for their board and committee duties was

fees, bonuses and delegations	142	127
-------------------------------	-----	-----

In addition, two directors received loyalty bonuses totalling £43,000 on leaving the Society's service.

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

	number	number
£2,501 - £5,000	1	1
£7,501 - £10,000	9	10
£10,001 - £12,500	1	-
£12,501 - £15,000	1	1
£17,501 - £20,000	-	1
£20,001 - £22,500	1	-
£22,501 - £25,000	1	-
£25,501 - £27,500	1	-
	<u>15</u>	<u>13</u>

#### management executive emoluments

£000

£000

the total remuneration of the management executive was

wages & salaries	1,091	1,425
taxable benefits	43	42
pension and pension allowance costs	164	194
	<u>1,298</u>	<u>1,661</u>

the number of management executives, whose emoluments, excluding pension, settlement and benefits fell into each £10,000 bracket was as follows

	number	number
£30,001 - £40,000	-	1
£90,001 - £100,000	-	1
£100,001 - £110,000	-	2
£110,001 - £120,000	1	-
£120,001 - £130,000	1	-
£130,001 - £140,000	1	-
£190,001 - £200,000	-	1
£220,001 - £230,000	1	-
£250,001 - £260,000	-	1
£410,001 - £420,000	-	1
£480,001 - £490,000	1	-
	<u>5</u>	<u>7</u>

<b>5. exceptional items</b>	<b>2018-19 (52 weeks) £000</b>	<b>2017-18 (52 weeks) £000</b>
business integration, disruption and rationalisation costs	2,297	2,284
	<u>2,297</u>	<u>2,284</u>

Business integration, disruption and rationalisation costs include the impact of the closure of stores, onerous leases, distribution reorganisation, dilapidation and legacy costs and income.

<b>6. net finance charges</b>	<b>2018-19 (52 weeks) £000</b>	<b>2017-18 (52 weeks) £000</b>
<b>interest payable</b>		
funeral bond interest	1,057	908
bank overdraft and loan interest	841	793
finance leases	30	46
other interest	63	44
interest cost on pension scheme liabilities	<u>2,256</u>	<u>2,504</u>
total interest payable	<u>4,247</u>	<u>4,295</u>
<b>less - interest receivable and investment income</b>		
expected return on pension scheme assets	1,761	1,865
unlisted investments	53	54
other interest	5	1
funeral bond interest	1,057	908
movement in fair value of derivatives	<u>47</u>	<u>104</u>
total interest receivable	<u>2,923</u>	<u>2,932</u>
<b>total</b>	<u>1,324</u>	<u>1,363</u>

<b>7. grants and donations</b>	<b>2018-19 (52 weeks) £000</b>	<b>2017-18 (52 weeks) £000</b>
member relation activities & grants	510	500
donations	30	37
	<u>540</u>	<u>537</u>

## Notes to the Group Accounts

8. taxation	2018-19 (52 weeks) £000	2017-18 (52 weeks) £000
<b>8a. profit and loss account and other comprehensive income</b>		
<b>current taxation</b>		
UK corporation tax charge for the year	715	1,317
adjustment in respect of prior years	<u>221</u>	<u>(123)</u>
<b>total current taxation</b>	936	1,194
<b>deferred taxation</b>		
origination and reversal of timing differences	1,186	(1,018)
adjustment in respect of prior years	(117)	114
adjustment due to change of tax rate	<u>(130)</u>	<u>121</u>
<b>total deferred taxation</b>	939	(783)
<b>total profit and loss account taxation charge</b>	<u>1,875</u>	<u>411</u>
<b>other comprehensive income items</b>		
deferred tax in current year (credit)/charge	<u>(146)</u>	<u>566</u>

### 8b. taxation reconciliation

The tax in the profit and loss account for the year is higher (2017-18 lower) from the standard rate of corporation tax in the UK. The difference is explained below.

<b>surplus before tax</b>	6,360	5,958
<b>tax on surplus at standard rate of corporation tax in the UK of 19% (2017-18: 19.16%)</b>	1,208	1,142
<b>factors affecting tax charge for the year</b>		
expenses not deductible for tax	52	177
sale of property	60	669
unrealised gains/(losses) on investment properties	1,067	(1,157)
income not taxable	(486)	(533)
effect of tax rate changes	(130)	121
adjustment to tax in respect of prior years	104	(8)
<b>tax charge for the year</b>	<u>1,875</u>	<u>411</u>



## 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 prior year the gain from the sale of Morningside Road was partly offset from the loss on a previously revalued asset absorbed into the Society following a 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 indexation allowance in the year relates to estimated indexation on investment properties not yet sold and indexation on 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 tax rate impacted the current tax charge in the reporting period resulting in a weighted-average for the period ending 26 January 2019 of 19% (27 January 2018: 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

The deferred tax provision 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 £10,575,000 (2017-18 - £10,172,000) 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

8c. deferred taxation	2018-19 £000	2017-18 £000
<b>deferred tax</b>		
provision at beginning of year	234	17
adjustment in respect of prior years	117	(114)
deferred tax charge to income statement in the period	(1,055)	897
deferred tax charge to other comprehensive income statement in the period	145	(566)
<b>deferred tax provision at the end of the year</b>	<u>(559)</u>	<u>234</u>
<b>deferred tax assets/(liabilities)</b>		
fixed asset timing differences	(3,199)	(2,133)
short term timing differences	2,111	1,947
losses	529	420
<b>deferred tax provision at the end of the year</b>	<u>(559)</u>	<u>234</u>

The fixed asset timing difference liability mainly relates to the investment property revaluation. The short term timing difference asset mainly relates to the defined benefit pension scheme.

Tax losses are from the transfer of 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	421	217
recoverable after 12 months	2,343	2,257
<b>deferred tax assets</b>	<u>2,764</u>	<u>2,475</u>
<b>deferred tax liabilities</b>		
payable within 12 months	-	(376)
payable after 12 months	(3,323)	(1,865)
<b>deferred tax liabilities</b>	<u>(3,323)</u>	<u>(2,241)</u>

## 9. intangible assets

goodwill	cost £000	amortisation £000	balance sheet value £000
at the beginning of the year	52,363	(31,866)	20,497
amortisation provided for the year	-	(1,877)	(1,877)
at the end of the year	<u>52,363</u>	<u>(33,743)</u>	<u>18,620</u>

## 10. tangible fixed assets

	land & buildings £000	investment properties £000	plant vehicles & fixtures £000	total £000
<b>cost or valuation</b>				
27 January 2018	31,033	85,858	111,310	228,201
additions	716	3,300	7,818	11,834
disposals	(478)	(2,295)	(1,300)	(4,073)
reclassification	(309)	193	-	(116)
revaluation	-	3,754	-	3,754
26 January 2019	<u>30,962</u>	<u>90,810</u>	<u>117,828</u>	<u>239,600</u>
<b>depreciation</b>				
27 January 2018	13,507	-	82,110	95,617
provided for the year	749	-	7,189	7,938
disposals	(25)	-	(1,020)	(1,045)
reclassification	(116)	-	-	(116)
26 January 2019	<u>14,115</u>	<u>-</u>	<u>88,279</u>	<u>102,394</u>
balance sheet value at 27 January 2018	<u>17,526</u>	<u>85,858</u>	<u>29,200</u>	<u>132,584</u>
balance sheet value at 26 January 2019	<u>16,847</u>	<u>90,810</u>	<u>29,549</u>	<u>137,206</u>

The net book value of the group's fixed assets includes £2,453,000 (2017-18 - £1,839,000) 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 26 January 2019 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 £16,382,000 (2017-18 - £15,365,000) 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
11. investments	2018-19 £000	2018-19 £000	2018-19 £000	2017-18 £000	2017-18 £000	2017-18 £000
funeral bond investment	11,936	1,096	13,032	10,275	882	11,157
<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	178	-	178	210	-	210
joint ventures	(16)	-	(16)	(16)	-	(16)
	1,505	-	1,505	1,537	-	1,537
<b>listed investments</b>						
others	6	-	6	6	-	6
	13,447	1,096	14,543	11,818	882	12,700

	funeral bond investments £000	unlisted investments £000	listed investments £000	total £000
cost or valuation				
balance sheet value at 27 January 2018	11,157	1,537	6	12,700
additions	1,820	-	-	1,820
disposals	(938)	(32)	-	(970)
interest gain	993	-	-	993
balance sheet value at 26 January 2019	13,032	1,505	6	14,543

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 26 January 2019 was £23,000 (2017-18 - £26,000) and therefore the fair value would add £18,000 (2017-18 - £20,000) if restated.

The group's significant subsidiary undertakings include the retail activities of Botterills Convenience Stores Limited, Trade Smart Marketing Limited, the pension activities of Scotmid Pension (GP) Limited, Scotmid Pension (IP) Limited, Scotmid Pension Limited Partnership and Scotmid Property & Services Limited which holds the employee share ownership plan. 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, a drink manufacturer.

FRS102 requires financial investments to be recognised and funeral bonds with third parties are included above. The funeral bonds are held at fair value with market valuation being provided by the 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)	
	2018-19 £000	2017-18 £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	2018-19 £000	2017-18 £000
trade debtors	966	1,526
prepayments and other debtors	11,559	12,790
deferred tax (see note 8)	-	234
	<u>12,525</u>	<u>14,550</u>

13. creditors falling due within one year	2018-19 £000	2017-18 £000
trade creditors	21,830	19,862
holiday pay	333	318
VAT	2,102	1,900
funeral bond deferred income	1,144	882
other sundry creditors	3,498	4,552
accrued charges	10,666	10,248
PAYE and social security	645	779
bank loan (see note 14)	37,000	2,000
obligations under finance leases (see note 14)	510	527
corporation tax payable	355	287
	<u>78,083</u>	<u>41,355</u>

## Notes to the Group Accounts

	2018-19 £000	2017-18 £000
<b>14. creditors falling due after more than one year</b>		
bank loans	-	37,000
obligations under finance leases	1,091	419
funeral bond deferred income	12,706	11,091
	<u>13,797</u>	<u>48,510</u>
<b>borrowings are repayable as follows:</b>		
<b>bank loans</b>		
between one and two years	-	37,000
on demand or within one year	37,000	2,000
	<u>37,000</u>	<u>39,000</u>
<b>finance leases</b>		
between one and two years	525	206
between two and five years	566	213
	<u>1,091</u>	<u>419</u>
on demand or within one year	510	527
	<u>1,601</u>	<u>946</u>
<b>funeral bond deferred income</b>		
between one and two years	1,144	882
between two and five years	3,432	2,646
after five years	8,130	7,563
	<u>12,706</u>	<u>11,091</u>
on demand or within one year	1,144	882
	<u>13,850</u>	<u>11,973</u>
<b>total bank loans, deferred income, and finance leases excluding bank overdraft</b>		
between one and two years	1,669	38,088
between two and five years	3,998	2,859
after five years	8,130	7,563
	<u>13,797</u>	<u>48,510</u>
on demand or within one year	38,654	3,409
	<u>52,451</u>	<u>51,919</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 £37,000,000 (2017-18: £39,000,000), is repayable £1,000,000 on 31 March 2019 and the balance of £36,000,000 on the 20th December 2019 when the RBS facility expires. Following a re-tender exercise HSBC have been selected to provide funding covering 5 years with a £40,000,000 Revolving Credit Facility and a £4,000,000 Overdraft. Gross borrowing to net assets, Minimum EBITDA, and Capital Expenditure are covenants associated with the new facility. Interest rate is currently LIBOR plus 1.2%.

<b>15. provisions</b>	<b>£000</b>
27 January 2018	(2,090)
additions	(728)
utilised	674
26 January 2019	<u>(2,144)</u>

Provisions falling due greater than one year include store closures, dilapidations and onerous leases.

<b>16. derivatives</b>	<b>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
<b>derivative financial instruments held to manage interest rates</b>		
interest rate derivatives (at fair value)	<u>(27)</u>	<u>(75)</u>

The Society's interest rate derivatives with a value of £7,500,000 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 2019 and January 2020. The January 2020 interest swap will be cancelled with the existing bank and new derivatives will be set up going forward with HSBC.

<b>17. share capital</b>	<b>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
at beginning of year	6,050	6,039
interest	<u>67</u>	<u>66</u>
	6,117	6,105
contributions	<u>89</u>	<u>99</u>
	6,206	6,204
withdrawals	(147)	(154)
at end of year	<u>6,059</u>	<u>6,050</u>

(i) share capital comprises 6,059,000 shares (2017-18 - 6,050,000) of £1 attracting interest at 1.25% (2017-18 1.25%).

(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.

### 18. accounting for pension costs - continued

The most recent full actuarial valuation was carried out at 28 January 2017 and updated on 26 January 2019 by Mr Murray Wright, Fellow of the Institute and Faculty of Actuaries. The actuarial valuation method used was the projected unit method.

the major assumptions used by the actuary were		at 26 January 2019	at 27 January 2018
rate of increases in pensions accrued post 05/04/97	LPI 5% (RPI)	3.00%	3.00%
	LPI 2.5% (RPI)	2.10%	2.10%
rate of increase in deferred pensions	LPI 2.5% (RPI)	2.50%	2.50%
rate of increase in deferred pensions	LPI 2.5% (CPI)	2.10%	2.15%
discount rate		2.70%	2.55%
inflation assumption		3.10%	3.15%
life expectancy retiring today	male	85.4 years	85.5 years
	female	89.0 years	89.1 years
life expectancy in 20 years	male	87.1 years	87.3 years
	female	90.6 years	90.7 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.

	2018-19 £000	2017-18 £000
current service cost	1,592	1,322
net interest cost	495	639
	<u>2,087</u>	<u>1,961</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 26 January 2019	at 27 January 2018
present value of defined benefit obligations	(86,053)	(88,474)
fair value of scheme assets	66,817	69,134
deficit	<u>(19,236)</u>	<u>(19,340)</u>
net liability recognised in the balance sheet	<u>(19,236)</u>	<u>(19,340)</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, £31,000.



<b>18. accounting for pension costs - continued</b>	<b>2018-19</b>	<b>2017-18</b>
<b>analysis of the movement in the scheme deficit in the year</b>	<b>£000</b>	<b>£000</b>
opening deficit in the scheme	(19,246)	(22,429)
current service cost	(1,592)	(1,322)
contributions	3,151	2,111
net financing charge	(495)	(639)
actuarial (loss)/gain	(1,171)	3,033
gains on settlements	147	-
<b>closing scheme deficit</b>	<b>(19,206)</b>	<b>(19,246)</b>
transfer of incoming society pension deficit	(30)	(94)
<b>total deficit</b>	<b>(19,236)</b>	<b>(19,340)</b>
<b>reconciliation of present value of scheme liabilities</b>	<b>£000</b>	<b>£000</b>
opening defined benefit obligation	88,474	87,021
service cost	1,592	1,322
interest cost	2,256	2,504
contributions by employees	782	580
actuarial (gain)/loss	(2,777)	49
benefits paid	(3,635)	(2,940)
liabilities extinguished on settlements	(575)	-
contribution towards Seaton Valley pension fund	(64)	(62)
closing defined benefit obligation	<b>86,053</b>	<b>88,474</b>
<b>reconciliation of present value of scheme assets</b>	<b>£000</b>	<b>£000</b>
opening fair value of the scheme assets	69,134	64,436
expected return	1,761	1,865
actuarial (loss)/gain	(3,948)	3,082
contributions by employer	3,151	2,111
contributions by employees	782	580
benefits paid	(3,635)	(2,940)
assets distributed on settlements	(428)	-
closing fair value of the scheme assets	<b>66,817</b>	<b>69,134</b>
<b>analysis of the fair value of scheme assets at the balance sheet date was as follows</b>	<b>£000</b>	<b>£000</b>
equities	37,102	39,806
other	3,267	1,706
asset backed funding arrangement contribution	969	969
buy-in	20,630	21,944
liability driven investment	4,849	4,709
total market value of assets	<b>66,817</b>	<b>69,134</b>

In setting the expected return on the assets as at 26 January 2019, 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

### 18. accounting for pension costs - continued

	2018-19 £000	2017-18 £000
<b>amounts taken to the consolidated statement of comprehensive income</b>		
actual return less expected return on pension scheme assets	(3,948)	3,082
experience (losses)/gains arising on the scheme liabilities	(180)	2,183
changes in assumptions underlying the value of scheme liabilities	2,957	(2,232)
	<u>(1,171)</u>	<u>3,033</u>
actuarial (loss)/gain before tax adjustments		

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

	2018-19 £000	2017-18 £000
operating profit	8,291	7,924
<b>adjustment for</b>		
gain on investment properties	(3,754)	(3,947)
surplus on disposal of fixed assets	(1,495)	(1,447)
depreciation charges	7,938	8,268
amortisation of goodwill	1,877	1,877
(increase)/decrease in stocks	(1,465)	1,618
decrease in debtors	1,792	1,083
increase/(decrease) in creditors and other provisions	1,466	(3,408)
movement in pension liability	(1,621)	(851)
movement in related party investment	27	-
corporation tax paid	(868)	(1,621)
pension funding credit on curtailment	(147)	-
	<u>12,041</u>	<u>9,496</u>
net cash inflow from operating activities		

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

	2018-19 £000	2017-18 £000
increase/(decrease) in cash for year	1,965	(1,932)
cash outflow from change in net debt and lease financing	1,343	1,194
	<u>3,308</u>	<u>(738)</u>
movement in net debt for the year		
opening net debt	(32,741)	(32,003)
closing net debt	<u>(29,433)</u>	<u>(32,741)</u>

<b>21. cash flow statement: analysis of net debt</b>	<b>at 27 January 2018 £000</b>	<b>cashflow £000</b>	<b>other non-cash charges £000</b>	<b>at 26 January 2019 £000</b>
cash at bank and in hand	7,205	1,965	-	9,170
debt due after 1 year	(37,000)	-	37,000	-
debt due within 1 year	(2,000)	2,000	(37,000)	(37,000)
finance leases repaid	(132)	598	-	466
new finance leases	(814)	(1,255)	-	(2,069)
	(39,946)	1,343	-	(38,603)
total	(32,741)	3,308	-	(29,433)

## 22. operating lease commitments

	<b>land &amp; buildings 2018-19 £000</b>	<b>plant, vehicles &amp; fixtures 2018-19 £000</b>	<b>land &amp; buildings 2017-18 £000</b>	<b>plant, vehicles &amp; fixtures 2017-18 £000</b>
<b>leases which expire</b>				
within one year	724	106	832	27
within two to five years	6,469	370	5,356	727
after five years	17,696	-	19,890	-
	24,889	476	26,078	754

At 26 January 2019 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 those with key personnel management as disclosed in note 4.

## Board Members

Board Directors	Board	General Purposes	Audit	Remuneration	Search
Mr H Cairney (P)	(C) 13	(C) 3			(C) 4
Mr J Watson (VP)	12	3		(C) 3	
Mr J Anderson † (R 1/5/18)	4		2		
Mrs S Downie	11	2			4
Mr I Gilchrist	13				4
Ms K Harmon ‡ (E 1/10/18)	2				1
Mr T McKnight ‡ (R 1/10/18)	9				2
Dr R McCready † (E 1/5/18)	8			1	
Mr J Miller	13			3	
Mr D Paterson	12		2		
Mr M Ross	12		1		3
Mr A Simm	13	3		3	
Mrs G Smallman	10			3	
Mr E Thorn *	12		(C) 3		
Miss A Williamson	11	3	3		
<b>Total meetings held</b>	<b>13</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>

### Meetings held from 28 January 2018 to 26 January 2019

P President | VP Vice President | C Committee Chair | E Elected | R Retired |

† At the AGM held on 1 May 2018, John Anderson retired from the Board and North Regional Committee with the thanks from the Board for his long and valued service and Richard McCready was elected to serve the remainder of John Anderson's term of office. Richard McCready was appointed to the Remuneration Committee on 18 September 2018.

‡ Tom McKnight retired from the Board and West Regional Committee on 1 October 2018 with the thanks of the Board for his long and valued service. Kaye Harmon was elected on 1 October 2018 to serve a 2 year term of office and was appointed to the Search Committee on 13 December 2018.

\* Board member whose term of office will be complete at the Annual General Meeting held on 29 April 2019 and who has been nominated by his Regional Committees and is eligible for re-election.

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.

Eddie Thorn 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.

East Regional Committee		West Regional Committee		North Regional Committee	
Miss A Williamson (C)	8	Mr A Simm (C) ♦	8	Mrs S Downie (C)	8
Mr H Cairney (VC)	8	Mr J Watson (VC) ♦	6	Mr A Cullen (VC) ♦	6
Mr D Paterson (MS) ♦	6	Mr J Gilchrist (T)	6	Mrs M Smith (MS)	7
Mr A Clark Hutchison ♦	6	Mr M Ross (MS)	6	Mr J Anderson (R 1/5/18)	2
Mr C Henderson	7	Mr S Ballantyne	7	Mrs A Anderson ♦	8
Mrs N Hill (E 30/4/18)	6	Mr I Gilchrist	6	Mrs E Farquhar	6
Mr K Kelly	6	Ms K Harmon ♦	7	Mrs J Garnes (E 1/5/18)	5
Mr J McKenzie ♦	8	Mrs M Kane	5	Mr A M Maclean	8
Mrs R McCabe	8	Mr T McKnight (R 1/10/18)	4	Dr R McCready	8
Mr J Miller	8	Mr J Mills (E 30/4/18)	4	Mr D Patterson	8
Mr D Reid (R 30/4/18)	2	Mr G Randell	6	Ms E Pipe ♦	7
Mrs J Reid	6	Mrs K Scott	8	Mr A Stokes ♦	7
Mrs G Smallman	7	Ms R Smith ♦	3	Mrs D Taylor (E 1/5/18)	4
Mr E Thorn ♦★	7				
<b>Total meetings held</b>	<b>8</b>	<b>Total meetings held</b>	<b>8</b>	<b>Total meetings held</b>	<b>8</b>

### Meetings held from 28 January 2018 to 26 January 2019

C Committee Chair | VC Vice Committee Chair | MS Minute Secretary | T Treasurer | A Appointed | E Elected | R Retired |

- ♦ Regional Committee Members whose terms of office will complete at the AGM 2019 and have been nominated to serve on a Regional Committee.
- ★ Regional Committee Member who has been nominated by their Regional Committee to stand for election to the Board and is eligible for election.

# Notice of Meeting and Agenda of Business

Notice is hereby given that an Annual General Meeting of the Society will be held on:

**Monday 29 April 2019 at 6:30pm**

in The President's Suite, Murrayfield Stadium, Edinburgh, EH12 5PJ

and on

**Tuesday 30 April 2019 at 6:30pm**

at DoubleTree by Hilton, Strathclyde Business Park, Phoenix Crescent, Bellshill, ML4 3JQ  
and The Drumossie Hotel, Old Perth Road, Inverness, IV2 5BE.

## Agenda of business

1. Appointment of Scrutineers
2. Community Connect Presentations and Voting
3. Synopsis of Minutes of Ordinary General Meetings held on 1 & 2 October 2018
4. Synopses of Minutes of Board Meetings
5. Election to the Board:
  - East Region**  
1 Member to serve for 3 years
6. Regional Committee Elections
  - East Region**  
4 Members to serve for 3 years
  - North Region**  
4 Members to serve for 3 years
  - West Region**  
3 Members to serve for 3 years  
and 2 Members to serve for 2 years
  - Lakes & Dales Penrith area**  
1 Member to serve for 3 years
7. Directors' Report/Annual Accounts
8. Membership & Community Development Report
9. General business
10. 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.

Members who joined by 31 January 2019 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 22 April 2019 at 4:00pm.

Members will be admitted to the General Meeting by presenting their admission ticket and Share Book or Community Connect card and will only be entitled to vote for Members to represent the region where they live unless approval is granted by the Secretary in advance of the meeting.

The meetings will start at promptly at 6:30pm for Community Connect presentations and voting and at 7:00pm for the remainder of the AGM. Members may join the meeting following Community Connect presentations and until the Community Connect voting has concluded following which late entry will not be permitted to ensure there are no disruptions to the remainder of the meeting.

**The next General Meeting (Ordinary General Meeting) will be held on Monday 30 September 2019 at Bellshill and Edinburgh and on Tuesday 1 October 2019 in Brechin/Montrose.**





Scotmid  coop