

SCOTMID  
co-operative



# Annual Report & Financial Accounts

For Year Ended 30 January 2016

**SCOTMID**  
co-operative

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Scottish Midland Co-operative Society Limited

## ADVISORS AND REGISTERED OFFICE

### **Independent Auditor**

Deloitte LLP

### **Bankers**

The Royal Bank of Scotland plc

### **Solicitors**

Anderson Strathern WS

### **Registered Office**

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

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## Board of Directors



Harry Cairney  
President



John Anderson



Sheila Dowie



Jim Gilchrist



Tom McKnight



Jim Watson  
Vice President



John Miller



David Paterson



Michael Ross



Andy Simm



Grace Smallman



Eddie Thorn



Sandra Williamson

For Board and Committee attendance see page 52.

## Management Executive



John Brodie  
Chief Executive Officer



Malcolm Brown  
Head of Corporate Communications



John Dalley  
Chief Financial Officer & Secretary



Stewart Dobbie  
Head of Innovation & Change



Adrian Lorimer  
Head of Property & Development Services



Steve McDonald  
Head of People & Performance



Colin McLean  
Chief Operating Officer

# Overview



The Directors are pleased to present their report for the 52 weeks ended 30 January 2016. During the year the Society delivered a strong trading performance in the context of a poor Scottish retail market. The performance strengthened in the second half of the year. In the 52 weeks trading profit moved ahead 4% to £5.7m, compared to the equivalent result for the 53 weeks last financial year. Comparable retail sales were very positive relative to the sluggish market, however one less week and the impact of some store closures saw a reduction in total turnover of £12m to £371m. The Society recorded a notable strengthening of our balance sheet with net assets now in excess of £91m.

In the year ending January 2016, the Scottish Retail Consortium reported average like-for-like sales down 2.4% reflecting factors such as low consumer confidence, price deflation and poor summer weather. The Society's retail businesses consistently out-performed the market in 2015 with the successful implementation of our new Semichem strategy and the delivery of innovation initiatives in Scotmid's convenience stores. Successful initiatives in the food business included bakery and new food-to-go lines which helped to offset the impact of food price deflation and increased competition. Semichem made good progress driven by sales growth in fragrance and new private label ranges.

Scotmid Property enjoyed another year of progress assisted by an acquisition at the end of last year and temporary income following the refurbishment of the Newbridge warehouse.

Funeral made steady progress particularly in the first half of the year.

In October, the Society completed a successful transfer of engagements (merger) with Seaton Valley Co-operative Society. In line with the plans approved by members, two food stores have been transferred to Scotmid's food retail business, the head office was closed and investment was made to transform their convenience store, with a Lakes & Dales refit.

As well as the boost to our regional democracy from the merger with Seaton Valley, development of the Society's membership included a number of improvements to our member offer and democratic working practices. This included the launch of a new membership app which provides exclusive offers and information to members.

Last year we predicted a challenging marketplace and in reality, the retail markets we operate in performed worse than anticipated, not helped by poor summer weather. Through a range of actions the Society rose to the challenge to deliver a good year end result. In the context of the current retail market, the additional cost pressure from the earlier than anticipated introduction of the National Living Wage will have a significant impact for the next few years. The Society will therefore need to deliver a robust response, taking the opportunity to make the tough decisions required, accelerating continuous improvement initiatives while continuing to innovate and drive the business forward.

# Food Retail



In a very challenging food market, Scotmid's food convenience business worked hard to maintain its position on a comparable 52 week basis. Action taken in 2015/16 included the implementation of a number of "Food Vision" projects that helped to differentiate us from our competitors and drive a sales performance well ahead of the market. Projects progressed during the year included the rollout of in-store bakery counters to a further 24 stores and the artisan bakery Breadwinner is now ranged in 20 stores. The "Kitchen" food-to-go concept was trialed in three stores and new food-to-go products rolled out to stores more generally, including hot filled breakfast rolls, coffee and soup. Own label products have also been developed to support our bakery and food-to-go offer including "Candy Crisp" doughnuts and "Caffe Riva" coffee.

This solid performance by our food business was in a grocery market that continued to decline. The Scottish Retail Consortium reported that like-for-like food sales fell by an average of 2.8% for the 12 month period, not helped by the poor summer weather. Food price deflation and mixed messages on consumer confidence have persisted so it is pleasing to report that Scotmid performed consistently ahead of the market.

There were positive developments in the Co-op offer during the year, including a successful reset of chilled ranges and competitively priced promotions on produce. The Co-op range was supplemented by the further development of our local offer including high quality fresh fruit supplied by Castleton

## The year in summary



£135,000 had been raised at the half-way point of our charity partnership with Anthony Nolan.



The "Kitchen" food-to-go concept launched in three trial stores.



Gillian McFall, Store Manager at Scotmid Calderwood on her Kilimanjaro climb for Anthony Nolan.



Farms and competitively priced milk supplied by a Scottish dairy. The business also made good progress on the control of cost and stock management.

Investment in store infrastructure continued with the programme of Lakes & Dales refits in the former Penrith Co-operative stores completed in early 2015. Significant investment was also made in store energy efficiency measures helping to control cost and successfully achieve our greenhouse gas emissions target well ahead of plan. The merger with Seaton Valley Co-operative was completed in October, adding two more food stores to the estate and strengthening the Society's geographical position in the north of England. Following the merger, Seaton Valley's convenience store enjoyed a full

Lakes & Dales refit. Our Keswick store also had a substantial refurbishment after it was severely damaged in the winter floods. The Post Office network transformation programme progressed in the year resulting in a number of store layout changes, including Post Office services being introduced to the main checkout area.

During the year the progress made by the food convenience business has been recognised within the wider grocery industry. Scotmid won a number of awards including Stockbridge - Convenience Retailer of the Year; Best Multiple Convenience Store and Best Customer Service.

## February - March 2015



Moredun Manager, Rose Spence picked up the award for Energy Efficient Store at the Grocer Awards.



Craig McAulay, Manager at Stockbridge picked up Best Multiple Convenience Store at the CRA Awards.



The Scotmid stall at the Summerhall Fairtrade Showcase as part of Fairtrade Fortnight.

# Semichem



Implementation of the new Semichem Strategy saw the business make significant progress in the year. Against the background of challenging market conditions, further steps have been taken to improve and develop the core store estate. New private label ranges have been introduced and the rollout of supplier supported ranging/pricing on leading branded products have helped to drive sales growth. Semichem continued to build on its strength as a leading fragrance retailer on the local high street with the successful development of the range to include more prestige brands. To support the new ranging and product category developments, store layouts were changed in the year with the introduction of value bays and a number of stores benefited from mini refits to further improve the customer experience.

The Scottish Retail Consortium reported non-food like-for-like sales down by an average of 2% in the year ended January 2016 which provides an indication of the tough market conditions faced by high street retailers. In this context Semichem's

improvement was very encouraging, driven by sales growth supported by tight control of costs. Northern Ireland also performed well, showing good growth after many challenging years. Progress continued to be made on the renegotiation of leases, however, in some cases landlords were not able to rebase the rent to match market conditions and it was necessary to take the tough decision to close seven stores.

The business performed strongly over the Christmas period underpinned by the increased fine fragrance offer and a strong seasonal range. Our "famous for" reputation for fragrance and seasonal gifting was supported and reinforced with additional investment in television advertising.

The focus in the year was on the core store estate however our on-line business showed significant sales growth in the year. Although a small part of the business we continue to review, learn and refine our approach to this channel going forward.

## The year in summary



The newly refurbished St John's Chapel store relaunched as Lakes and Dales.



Home Comforts in Coatbridge received a Community Grant to help families in need.



Salvation Army clothes collection banks rolled out to more Scotmid stores.

# Funeral



Scotmid Funeral performed ahead of last year due to an increase in the number of funerals carried out and a strong first half of the year.

In November 2015 a new Scotmid Co-operative funeral home was opened in our freehold premises in Main Street, Uddingston. We also re-launched our funeral home in East Kilbride with new Scotmid Co-operative branding.

The focus on the delivery of a high quality service continued with further investment in the funeral estate including the refurbishment of our Portobello branch and a large extension

to the funeral home at Forrester Park, Edinburgh. We also continue to invest in our fleet with the latest addition, a vintage hearse (pictured above), proving a popular option for a number of our customers.

We continue to play an active part in the communities we serve and within the wider funeral industry, helping to promote best practice and share experience through representation on industry groups, including active membership of the Scottish Working Group on Funeral Poverty.

## April - May 2015



Merger discussions progressed with Seaton Valley Co-operative Society.



The Meeting Place in Nairn, received a Community Grant for radio broadcasting equipment.



Scotmid launched the "Say aye to a pie!" campaign with Scottish Bakers to save the Macaroni Pie.

# Property



Scotmid's Property business had another good year with improved rental income the main driver of the growth. Property markets continued to strengthen during 2015 with the benefit of historically low interest rates.

The Society's portfolio of commercial property performed well with rental income ahead of the comparable period last year assisted by an acquisition at the end of 2014. Residential rental income also grew through reduced voids, modest rental growth and the addition of several flats transferred as a result of the Seaton Valley merger.

The refurbishment of the former Semichem warehouse in Newbridge (pictured above) was completed during the period. The refurbished property is currently vacant, although enhanced temporary tenant income was enjoyed during the period. Part of the improvements at the warehouse saw a

200 panel commercial solar system being installed on the new roof. The free electricity generated by this system is fed into our nearby Head Office thereby generating cost savings. The refurbishment of the warehouse has created four self-contained bays available for let.

An improvement in the residential market and success negotiating new commercial property leases saw the (like-for-like) valuation of the investment property portfolio increase by £3.4m. Following the introduction of the new Financial Reporting Standard (FRS102) this revaluation gain is now recognised in the group profit and loss account rather than through reserves. Going forward this change in accounting treatment results in more short-term volatility in our bottom line results driven by assets that are held for the long-term benefit of the Society.

## The year in summary



Members of the Semichem team in Northern Ireland joined the Anthony Nolan donor register.



Anthony Nolan, our charity of the year, donor recruitment day in Livingston.



The Scotmid stand at the Royal Highland Show was visited by First Minister Nicola Sturgeon.

# Corporate Matters & Central Services



Avenue Road in Seaton Valley relaunched with a Lakes & Dales refit.

These financial statements are the first Scotmid results produced using the new FRS102 Financial Reporting Standard applicable in the UK. This has resulted in some significant changes to areas such as property revaluations, finance charges, funeral bonds and deferred taxation. There are also some changes in the presentation of the accounts particularly to the group profit and loss account and the inclusion of a new group statement of comprehensive income. A summary of the impact of the changes is provided in note 23.

Significant progress was made on working capital management, with the reversal of last year's week 53 payroll timing difference and a stock reduction in Food helping to reduce net debt by £8.6m. This improvement has been achieved while continuing to invest for the long-term benefit of the Society, including further incremental capital investments (Newbridge

Warehouse investment and store energy efficiency measures) and settlement of the £2.7m final payment of deferred consideration for the Botterills acquisition.

Following the Seaton Valley transfer of engagements the Society took on responsibility as principal employer of The Seaton Valley and Allendale Pension Plan, a joint scheme with Allendale Co-operative. The scheme is a final salary scheme that has been closed to future accrual. Scotmid Society's Retiral Cash Balance Scheme saw a £5.4m reduction in the gross deficit in the year mainly due to an increase in long-term interest rates compared to the historically low rates at the end of January last year.

During the year Scotmid concluded an agreement with Conviviality Retail plc to trial franchise stores using Conviviality brands. The trial has progressed with the conversion of five of

## June - July 2015



Members and colleagues joined forces in "Big Co-op Clean" events.



Colleagues took part in a sponsored Ski at Braehead in aid of Anthony Nolan.



Our year long partnership with Anthony Nolan saw a record total of £370,000 being raised for the charity.

# Corporate Matters & Central Services continued



Delegates at the "Grow Aspire" awards.

our existing stores using the Bargain B's branding. Plans are in place to extend the trial with the opening of some new stores.

The Central Service teams' priority in the year was the support of initiatives and improvements for our trading businesses. Cross functional teams supported retail projects such as the rollout of food-to-go products, in-store bakery counters, streamlining of the local suppliers process, and the replacement of our card payment service. The new service has brought faster electronic payment at the till, contactless payments and ApplePay. Other technology work included the migration to a new disaster recovery service and business continuity site.

The Society also worked in partnership with "Real Jobs", a supported employment service that is part of The Action Group who provide regular support and advice to around 1,000 individuals and families across Edinburgh, the Lothians and Falkirk.

A trial of a new management training programme called "Grow Aspire" was launched which includes a 12 week programme of on-the-job learning and training academy courses. Profit protection and security enhancement measures implemented include the introduction of a new staff safety device "Safe-I" to help to deliver a safe and secure environment for our customers and colleagues.

## The year in summary



The Society supported the Shopwatch scheme in Govanhill in Glasgow.



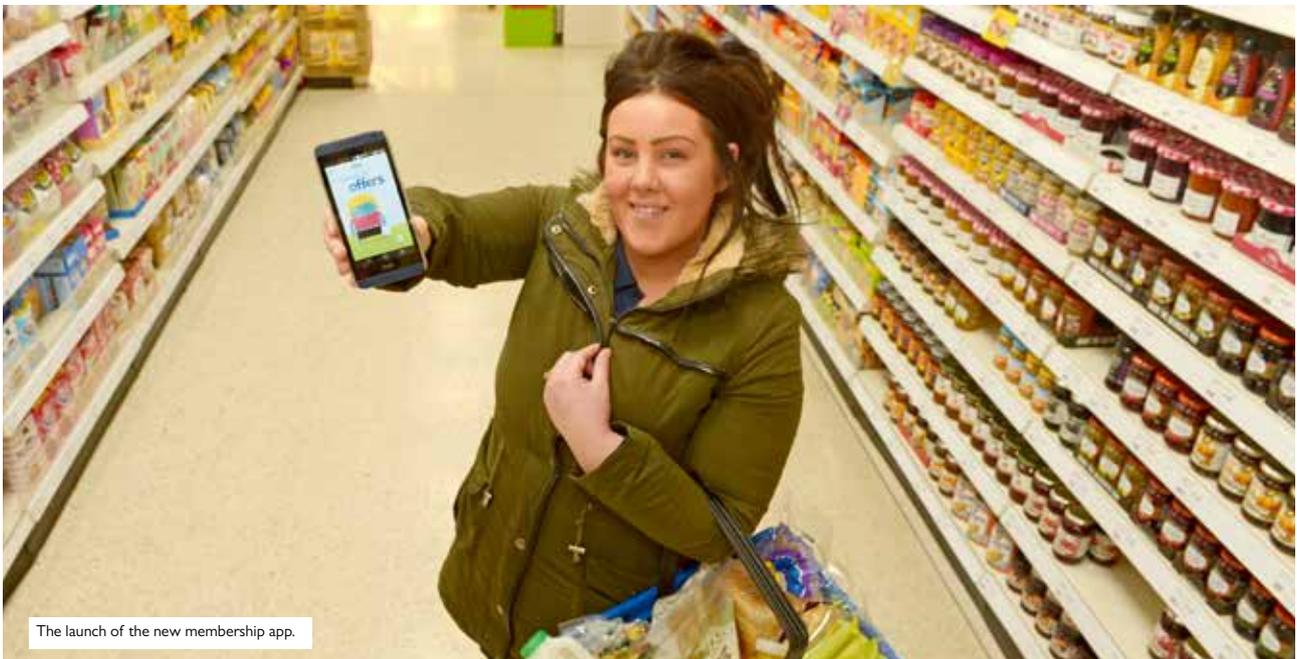
Our own range of delicious doughnuts launched under the Candy Crisp name.



The Society announces Alzheimer Scotland and Alzheimer Society as new charity partners.

# Membership Development

## Community & Charity Activity



The launch of the new membership app.

Membership development in 2015/16 included improvements to members' digital experience by making it easier to conduct two way communications through the membership hub on our website. The Society also launched a new Scotmid Membership App which is available to download for Android, iOS and Windows smart phones. The app delivers convenient and easy access for members to special offers and member specific benefits. More traditional communication with members continued through our membership magazine, "Jigsaw". Two editions were distributed in 2015 featuring Gordon Dewar, CEO of Edinburgh Airport and the ultra-endurance adventurer, Mark Beaumont.

The Society played a leading role in Scotland for Co-operative Fortnight 2015. In partnership with environmental community

groups, Scotmid organised clean-up events in Edinburgh, Coupar Angus and Uddingston as part of the "Big Co-op Clean".

During 2015 detailed market research was commissioned covering members in Scotland and the Lakes & Dales area. The objectives of research were to find out more about what interested members; how we could work together to benefit our communities and how the Society can develop a stronger relationship with our members. Feedback from this research will be used to prepare an update of our Membership Strategy.

Scotmid's merger with Seaton Valley Co-operative Society was completed in October and has resulted in the Society welcoming many new members.

### August - September 2015



Health and Safety colleagues Chris Vidier and Neville Muir picked up a prestigious ROSPA Gold Award.



Semichem support Kilmarnock charity Hillhouse in its work with families experiencing financial hardship.



Exclusive new products launch in food stores in partnership with Graham's Family Dairies.

# Membership Development

## Community & Charity Activity



The sale of carrier bags funded the Society's partnership with St Andrew's First Aid.

### Community Activities

Scotmid continued the focus on the community with a range of support activity provided in 2015. The Community Grant Scheme overseen by the Regional Committees provided support to a wide variety of organisations listed on pages 14 and 15. Examples from across the different communities we serve include Seaton Delaval Pantomime Society, Shap Community CIO, Drumnadrochit Piping Society, Newport Skate Park Collective and Step Forth in Falkirk.

The Society also continues its support for Fairtrade by providing assistance and guidance to fair trade groups, towns, cities, schools and zones in every region. An increased number of events were supported in the year, celebrating the good work done and helping to introduce Fairtrade to a new audience of consumers.

In November last year, Scotmid announced a partnership with St Andrews First Aid by sponsoring their first aid volunteer uniforms until 2017. St Andrews First Aid is a members-based organisation with very similar values to our own and is therefore an excellent partner for the Society. The donation came from funds generated from the sale of single use carrier bags during the previous twelve months. By sponsoring St Andrew's First Aid, we can ensure that carrier bag revenues generated in Scotmid and Semichem stores deliver meaningful and sustainable benefits to our communities and reward those selfless individuals who contribute so much to keep our communities safe.

### The year in summary



Scotmid was awarded Organisational Fundraiser of the Year at the Anthony Nolan Supporter Awards.



The Society supported "Cook for it" healthy eating workshops for school children.



Lakes & Dales took part in the memory walk in aid of the Alzheimer Society.



## Charity

At the end of August, Scotmid concluded a record breaking partnership and truly a life saving match when the Scotmid family raised £370,000 for Anthony Nolan (pictured above) to recruit thousands of lifesaving stem cell donors in the Society's trading areas.

From September 2015, our new Charity Partners are Alzheimer Scotland and Alzheimer's Society. In addition to raising much needed funds, Scotmid aims to build dementia friendly communities and to help people and carers live well with dementia. Colleagues from across the business have taken part in dementia friendly training to help them understand more about dementia and the small things they can do to help.

## Political Donations

Donations to the national Co-operative Party amounted to £14,000 and the Scottish Co-operative Party of £20,000.

## Appreciation

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

Signed on behalf of the Directors

Harry Cairney, **President**

Jim Watson, **Vice President**

6 April 2016

## October - November 2015



External defibrillator cabinet installed at Torphins.



Michal Klatka, of Scotmid Stockbridge, announced as the UK's best co-operative sector sales assistant.



Scotmid Funerals opened a new branch in Uddingston.

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

174th Guides, Edinburgh • 17th Lanarkshire Scouts • 18th West Lothian Scout Group • 1st Craigalmond (Kirkliston) Scouts • 1st Rosebank Brownies • 2466 Loanhead Squadron • 29th Ayrshire Scouts • Motherwell Cadet Force • 3 Sisters Lion Appeal • 31st Pentland Scouts • 3Ms Youth Partnership • 4th Carluke Boys Brigade • 60th Braid (Buckstone) Scout Group • 6th/8th Dundee Boys Brigade • 82nd Craigalmond Scouts • 98th Pentland Scouts • Abbeygreen District • Abbeyhill Colony Of Artists • Abbeyhill Primary School • Abercromby Primary School • Arbuthnott, Bervie & Kinnett • Aboyne Academy • ACES (Adult Continuing Education Seekers) • Acrobatic Championship, Lazonby • Action On Hearing Loss • Addiewell Community Education Centre • Adoption & Fostering Group Angus • Age Concern Dundee • Aidan's Voice charity • Air Ambulance • Alyth & District Pipe Band • Alyth Gala Committee • Alzheimer Scotland • Amina The Muslim Women's Resource Centre • Amy's Care CIC • Andover Primary Christmas Fair • Anthony Nolan • Antonine Primary School • Arbroath & Montrose Explorer Scout Unit • Archie's Having A Ball • Armadale Academy • Armadale CFC 2003 • Armadale Falcons Calcio 2001 • Armadale SWRI • Armathwaite Nursery • Arthurlie FC Youth Academy • Arts South Edinburgh • Ashgrove Care Home • Auchenback Active • Auchenblae Preschool Group • Auchengray Flower Show • Auchinairn Primary • Auld Reekie Roller Girls • Autumn Club • Avoch & Killen Senior Citizens • Avoch Amenities Association • Ayrshire Neonatal Unit • Back To School Bank East Kilbride • Back To School Bank Glasgow South • Balerno Children's Gala Association • Balerno High School • Balerno Village Screen • Ballantrae Bowling Club • Ballantrae Smugglers Festival • Balloch Community Association • Balloch Fundraising Group • Balloch Village Trust • Balornock Primary School • Banff Pre-School Group • Bankier Primary • Bannockburn Primary • Barlanark Greyfriars • Barrhead Youth Football • Barrington Bites Luncheon Club • Basics Food Bank • Bates Cottages Cricket Club • Beaconside Cofe Primary School • Bearsden Academy • Beatson Cancer Charity • Beauty U17s Shinty • Bellshill & Mossend YMCA • Beltane Fire Society • Bervie Gala • Bervie Soccer 7s • Bethany Christian Trust • Big Things Of The Beach • Birkenside Community Partnership • Bishopmill Mutual Improvement Association • Black Isle Cancer Research • Blackburn Family Centre • Blackburn Primary School • Blackburn United 2003 • Blackridge Community Education Association • Blackwood Horticultural Show • Blackwood Primary • Blairgowrie & Rattray Highland Games • Blairgowrie 2009's YFC • Blairgowrie Highland Games Association • Blairgowrie Stroke Club • Blantyre Boys Club • Blantyre Christmas • Blantyre Community Committee • BLESMA • Blue Triangle Housing • Bo'ness Primary School • Bo'ness First Responders • Bonnybridge YFC • Boroughmuir Thistle Football Club • Borrowfield Christmas Bonanza • Borrowfield Primary School • Bowel & Cancer Research • Box and Beats Accordion Band • Braehead Community Council • Braidwood Playgroup • Braithwaite School • Bravo Brechin • Breast Cancer Care • Breast Cancer Institute • Brechin Amateur Operatic Society • Brechin Big Lunch • Brechin Buccaneers • Brechin City Supporters Club • Brechin Community Council • Bridge Of Don Explorer Scout Group • Bridge Of Don Sea Cadets • Bridgend Primary School • Bright Red • Brighton & Rosefield Residents Association • British Divers Marine Life Rescue • British Heart Foundation • British Legion Livingston • Broxburn & District Amateur Swimming Club • Broxburn Gala Day • Broxburn Nursing Home • Broxburn Playgroup • Broxburn Primary School • Buchanan High School • Bump Baby and Beyond • Burghead Boy's Brigade • Burghead In Bloom • Burghead Mothers & Toddlers • Burghead Sub Aqua Club • Burghead Thistle Football Club • Burnhead Bowling • Burrelton & Woodside Senior Club • Burrelton Bowling Club • Butterwick Outreach Centre • Cairn Primary Maybole • Cairneyhill Gala • Cairneyhill Primary School • Calderbank Parish Church • Caldergleng High School • Calderdale Academy • Cambusnethan Primary • Camelon Mariners Club • Canal View Primary School • Cancer Research UK • Cardiomyopathy • Carluke Development Trust • Carluke Gala • Carluke High School • Carluke Parish Historical Society • Carolina House Trust • Carolside Primary PTA • Carse Of Gowrie Men's Shed • Cash For Kids • Castle Douglas Civic Events • Castlehill Fun Day • Children & Disability Team, Edinburgh • Cerebral Palsy • Charleston Academy • CHAS • Chatelherault Cohorts • Chest Heart & Stroke Association • Children In Need • Chill Out Zone (COZ) • Christian Aid • Chryston Horticultural Society • Citadel Youth Centre • Claremont Colts FC • Claremont Disability AFC • Clarkston Primary School • Cleland Christmas • Clepington Road Sheltered Housing • Clermiston Primary School • Clic Sargent • Clifton Little Tinkers • Coalburn Silver Band • Community Integrated Care • Community Playgroups • Conservation Volunteers (TCV) Scotland • Contact Point East Dunbartonshire • Cooperative Bank Keswick-Diabetes fundraiser • COPD-Action • Cornwall Park Care Home • Coupar Angus Gala Committee • Coupar Angus Pride Of Place • Coupar Angus Primary School • Coupar Angus Seniors' Outings • Cradlehall Primary School • Craiginntny Primary School • Craighead Primary • Craigmount HS • Craigroyston Boys Club • Craigshill Thistle CSC 2003 • CREATE (Cumnock And Doon Valley Area) • Crieff Juniors • Crieff Scouts • Crisis UK • Crosshill Nursing Home Activity Fund • Culloden Academy • Cults Parish Church • Cumbernauld Gala • Cumbria Action For Sustainability • Cumnock Highland Dancing School • Cumnock Juniors • Cumnock Round Table • Currie Community Council • Currie Community High School • Currie Parish Horticultural & Industrial Society • Cystic Fibrosis • Dalmeny Primary School • David Livingston Nursery • Deaf Action • Deans Gala Day • Deans Primary School • Deeside Food Festival • Denny Baptist Church Rainbow Hour • Derwentside ASC • Devers Academy Of Dance • Diabetes UK • Disability Information Scotland • Doctoral Student Association, QMU • Dogs For The Disabled • Dollar Court Sheltered Accommodation • Doodle Bugs • Double Deckers • Downs Syndrome Scotland • Driving Force • Drop In Café Chat Connect • Drum High School Film Club • Drumnadrochit Piping Society • Drylaw Rainbow Club Day Care Centre • Duddingston Primary School, Edinburgh • Duncan Street Pre-School Playgroup • Duncanrig Secondary School • Dundee Ice Skating Club • Dundee Relay For Life • Dundee Roller Girls • Dundee Wanderers Hockey Club • Dunoon Carers (Design Competition) • Dunoon Grammar School • Eaglesham Fair • Eaglesham Primary • Earthtime For All • East Ayrshire Carers Centre • East Calder Gala • East Calder Primary School • East Lothian Athletic Development Group • East Renfrewshire Good Causes • Ecas • Echline Primary School • Eddlewood Bowling Club • Eden Arts • Eden Valley Hospice • Edenside Primary School, Kelso • Edina Hibs Community Football Club • Edinburgh BSL Group • Edinburgh Fair Trade City Initiative • Edinburgh RSPB Phoenix Group • Edinburgh South FC • Edinburgh Women's Rape & Sexual Abuse Centre • Edinburgh Young Carers Project • EK Caledonian • Elgin High School • Elgin Junior Ice Hockey • Elgin Star 03's FC • Elgin Youth Development Group • Elizabeth Maginnis Residents Group • Elmvale Primary • Enable • Epilepsy Scotland • Everton Boys Club • FACT Group • Fairtrade Midlothian • Fairview Care Home • Falkirk Community Trust • Falla Hill Primary School • Fallside Secondary • Family Action Blantyre • Fastworks • Fauldhouse Playgroup • Fernhill Hyper Cyber • Ferniegair Gala Committee • Ferry Fair Festival • Fife Diet • Fife Housing Association • Fintry Scouts • Fireworks For Arbroath • Firpark Primary School • Firrhill Community Council • Firrhill High School • Flora Stevenson Primary School Team • Fochabers Gala • Fochabers In Bloom • Foolproof Creative Arts • FOP Action • Forfar Football Club • Forget Me Not Care And Counselling • Fort Youth & Community Association • Forth Hedgehog Hospital • Forth Valley College • Foundation Scotland • Fountainbridge Canalside Initiative • Fowls Mother & Toddler • Foyers Primary School Parent Council • Friars Bowling Club • Friends Of Auchenblae Oaps Christmas Group • Friends Of Hollybush • Friends Of Inverleith Park • Friends Of Lazonby School • Friends Of Orton School • Friends Of Penrith Mountain Rescue • Friends Of The Calder • Frosterley Primary School • Fun Little Poland • Gairlestone Community Association • Gamblesby Community Centre • Gauldry Gala • GCR Triathlon, West Lothian • Glencourse Association • Gleniffer High • Glenrothes Strollers • Glenurquhart Highland Gathering • Glenurquhart Primary School • Glenurquhart Rural Community Association • Glenurquhart Shinty Club • Great North Air Ambulance Service • Gorgie Dalry Community Association • Govan Youth Information Project • Govanhill Festival Committee • Govanhill Youth Project • Gracemount Primary School • Grantown On Spey Outdoor Bowling Club • Grantown Playgroup • Grantown Primary School Nursery • Greenferry Trust • Greenhead Moss Community • Greenhill & District SWRI • Greenhill Historical Society • Greystoke Primary School • Guildtown Playgroup • Habitat For Humanity • HALASS Action • Happy Steps Toddlers • Harthill Gala • Harthill Horticultural Society • Headroom • Health In Mind • Healthcare Lung Charity • Heatherfield Nursing Home • Helensburgh Defib Association • Help For Heroes • Hermitage Park Primary School • High Mill Primary School • Highland Council MacMillian Cancer Research • Highland Group Riding for the Disabled • Highland Hospice Raffle • Highlife Highland Fortrove Fusion • Hillhouse SCIO • Hillside School • Himalayan Trust • Holy Cross Primary School • Holytown Football Gala • Holytown Primary • Home-Start Deveron • Home-Start West Lothian • Hutchinson Vale Football Club • Inchview Primary • International Women's Day - Leith • Inverbervie & District Day Centre • Inverbervie Holiday Club • Invergowrie Rainbows • Inverness Foodstuff • Inverness Rowing Club • Irvine Royal Academy • It's Good To Give • Jack and Jill Parent Group • Jack Kane Community Centre • James Gillespie's Primary School • Jameston Early Learning • Jasmine Charity Challenge, Banff • Junior

## The year in summary



The opening of the refurbished Seaton Valley store with a Lakes & Dales refit.



Money raised from the sale of carrier bags is used to fund a new sponsorship with St Andrew's Ambulance.



Scotmid announces support for Scottish Government "Eat Better, Feel Better" health initiative.

## Directors' Report

Diabetes Research fund • Jog Scotland ,Bridge of Don • John Brown Memorial • Kanzen Karate • Kernow Karate • Keswick Beer Festival • Keswick FC • Keswick Film Festival • Keswick Hockey Club • Keswick In Bloom • Keswick Judo Club • Keswick Lawn Tennis Club • Keswick Victorian Christmas Fayre • Kick Cancers Butt • Kids Fun House • Kids Love Clothes • Kildrum Family Learning Centre • Kilwinning Friends Of Ayrshire Hospice • Kincardineshire Forest Schools • Kirkby Thore Primary School • Kirkhill Primary School, Uphall • Kirkliston Children's Gala • Kirkliston Community Council • Kirkliston Parish Church • Kirkmuirhill Holiday Club • Kirknewton Playgroup • Kirkoswald Football Club • Kirkshaws Primary • Kirkton Primary • Kirkoswald Villiage Support Group • Krazee Krafters • Laburnum Family Centre • Lady Home Hospital • Lafora Disease • Laich Youth Clubs • Lakehead Court Retirement • Lanarkshire Cancer Care Transport • Langwathby Mayday • Langwathby Parent & Toddler Group • Larkfield Centre, Govanhill Glasgow • Larkhall Heritage Group • Laurencekirk Bowling Club • Laurencekirk Gala • Laurencekirk Primary School • Laurens Lifeline • Lauriston Thistle YFC • Law Christmas Celebrations • Law Primary School • Lazonby & District Swimming Pool • Lazonby & District's Got Talent • Lazonby School • Leith Festival • Leith School Of Art • Lent Lunches • Lenzie Youth Club • Leonard Cheshire Disability Scotland • Lesmahagow High School • Lesmahagow Highland Games • Leukaemia & Lymphoma Research • Lexis Fund • Liberton United FC • Libertus Services • Link Up Whitfield • Linkylea • Linlithgow Rose FC • Lions Of Penrith • Little Sisters Of The Poor • Livingston Station Playgroup • Loanhead Branch Scottish Pensioners • Loanhead Children's Gala Day • Local Fair National Park • Loganlea Miners Welfare Charitable Soc • Logie Harp 2002s • London Road Church • Longstone Primary School • Look Who's Learning • Lothian Laryngectomee Group • Lothian Running Club • Macduff Primary School • Machars Lions • Macmillan Cancer • Maggie Law Museum • Maggie's Centre • Magical Family Fun Day • Marchmont & Sciennes Community Council • Margaret Cowie • Marie Curie • Marykirk Raft Race • Marys Meals • Mayfield & Easthouses Development Trust • Mayfield Primary School • Mayfield Salisbury Playgroup • Mclean Primary School Dunfermline • Macmillan Coffee Morning Alyth • Mearns & Coastal Healthy Living Network • Mearns Sponsored Cycle • MECOPP (Minority Ethnic Carers Of Older People Project • Meldrum Primary School • Meningitis Now • Menstrie Parish • Mercy Corp • Merkinch Partnership • Midlothian Community Men's Shed • Millburn Academy • Millie's Trust • Milnes Primary,Fochabers • Milne's High School Award Ceremony • Milnes Primary School • Milne's Youth Project • Milngavie Youth Centre • Milton Of Campsie Community Council • Milton Of Campsie Fairtrade Group • Mind/Women In Need • MND Scotland • Momentum Skills • Montrose Bowling Club • Montrose Music Festival • Montrose Stroke Club • Montrose Town Hall Bowling Club • Montrose Triathlon Club • Montrose United Reform Church • Montrose Vics 2006 Team • Montrose Youth Football Club • Moodiesburn Gala • Moray College Nursery • Moredun Library • Morison Duncan Hall Management Committee • Mosside Court,Sheltered Housing • Mosstodloch Explorer Unit • Mosstodloch Primary • Motherwell Community Football Team • Motherwell Heat Handball Club • Moving Into Health (Livingston) • MS Society • Muiredge & St Johns Primary • Muirhead & District Seniors Forum • Munloch Christmas Lights • Munloch Preschool • Murrayburn Primary School • Murrayfield Primary School,Blackburn • Music Nairn • Myeloma UK • Nairn Academy • Nairn Citizens Advice Bureau • Nairn Drama Limited • Napier University • National Autistic Society Dundee Branch • National Citizens Service • National Purple Day 2015 • Nations Cup • Neilsland Primary • Nepalese Midwives • Nether Currie Primary School • Netherthird Primary • Neuroblastoma Burghhead • New Beginnings Clydesdale • New Cumnock Bowling • New Cumnock Early Years Centre • New Elgin Primary School • Newarthill Primary • Newbattle Community High School • Newcraighall Leith Vics Football Club • Newfarm Primary • Newland Concert Brass • Newmains Football Club • Newmains Nursery • Newmains Primary • Newmains UCFC • Newport On Tay Primary School • Newport On Tay Traders Association • Newton Stewart Initiative • Nifty Fifty Group • Nordoff Robbins Music Therapy Scotland • North Berwick Community Council • North West Carers Centre • Notre Dame Summer Play scheme • Old & St Andrews Church, Montrose • Oldmachar Community Playgroup • One Parent Families Scotland/Community Family Supp • One World Shop • Open Secret • Orchard Care • Our Lady Of Lourdes Primary School, Blackburn • Our Larkhall • Overtown Girl Guides • Pacific Care • Palacerigg Golf Club • PAMIS\* • Pancreatic Cancer • Park Primary • Parkhead Children's Gala • Parkinson's UK • Parkview Primary • Peebles Football Club • Peebles High School • Peebles Scout Group • PEEK Project,Glasgow • Penrith & Dist Gardeners Association • Penrith Agricultural Society • Penrith Cricket Sports And Social Club • Penrith Police Football Tournament • Penrith Preschool Nursery • Penrith Store Event • Pentland Triathlete Juniors • Pinewood Primary School, Blackburn • Places For People • Plant, Tayport • Polbeth Children's Gala • Polwarth Parish Church • Poppy Scotland • Port Edgar Dragons • Portlee Day Service • Portobello Community Council • Portobello Fairtrade Group • Portobello High School • Portobello Monday Centre • Portobello Sailing & Kayaking Club • Portobello Toddlers Hut Playgroup • Prestonpans Infant School • Prestonpans Primary School • Prestwick Promenade Celebrations • Pride In Meigle 2015 • Prince And Princess Of Wales Hospice • Prince's Trust • Project Trust • Prostate Cancer • Pseudomyxoma Survivor • Progressive Supanucker Palsy Association • Pulsationz • Pumpherston & Uphall Station Primary School • Pumpherston Gala Day • Pumpherston Senior Citizens • Queen Elizabeth Grammar School • Quasar Hockey Club • Queensferry Community High School S1 Football Team • Queensferry High School • Queensferry Parish Church • Queensferry Primary School PTA • Queensferry Tennis Club • Quest For Wellbeing • Radiant And Brighter • Raigmore Football Initiative • Ratho Children's Gala • Ratho Primary School • Ratho Station Residents Association • Recovery Kidz • Redburn School • redR • Relay For Life Perthshire • Richmond's Hope • Riding For The Disabled • Rimbleton Primary School • Rio Community Centre • Rionnagan Rois • Riverside View Bingo Night • Royal National Institute for the Blind • RNLI Lifeboats • Robert Hamilton School Of Dance • Robert Smillie Memorial Primary • Ronald McDonald House • Rookhope In Bloom • Rosebery Playgroup • Roseburn Primary School • Rotary Club Of Keswick • Royal Caledonian Horticultural Society • Royal Tarlair Golf Club • Rutherglen High • Royal Voluntary Service Perth & Kinross • Salvation Army Kids Club • Salvesen 2003 • SAMH • Sandcastle Playgroup • Sarah's Smile • Saughtonhall Community Association • Save The Children • Sciennes Primary School • Supporting Children in learning for life,Banchory • Scottish Pensions Association • Scottish Spina Bifida Association • Seaford Primary School • Seagull Trust Cruises • Seaton Deval First School • Sew N Sews, Larkhall • Shap After School Club • Shap Community CIO • Shap Community Development Centre • Shap Memorial Hall Committee • Shawburn Care Home • Sick Kids Friends Foundation • Sight Aid International • Silverwood School • Simba • Simeon Care For The Elderly • Skelton Show • Slateford/Longstone Mothers & Toddlers Group • Social Bite • Sound Advice • Southside Community Centre • Sport Moray Recognition Awards • Spring Bling Ball • Springburn Football Tournament • South Queensferry Christmas Community • SQUIDS After School Club • Scottish Society Protection Cruelty to Animals • St Aloysius • St Andrews First Aid • St Andrews Hospice • St Andrew's Primary School, Gorebridge • St Anne's Sheltered Housing Social Club • St Athanasius Primary • St Catherine Primary School,Fairtrade Event • St Columba's Hospice • St Cuthbert's Primary • St Cyrus Primary School Parent Teacher Association • St David's Primary School, Dalkeith • St Devenick's Playgroup • St Gabriel's Primary School • St Gerard's Youth Club • St James Youths Football Club • St John The Baptist Primary School, Fauldhouse • St Johns Chapel School Christmas Fair • St Johns Chapel Town Hall Christmas Lights • St Johns Luncheon Club • St John's Pre-School • St Joseph's Primary School,Dundee • St Josephs PTA • St Laurence FC • St Lukes & St Matthews Primary School • St Luke's RC Primary School • St Mark's Primary School, Edinburgh • St Mirren Youth Football • St Ninian's Parent Council,Kirtantilloch • St Ninian's Primary School,Stirling • St Patricks Nursery,Glasgow • St Paul's Primary School, East Calder • St Pius Primary School • St Rose Of Lima Primary School • St Teresa Of Lisieux Primary School • Stand Up To Cancer • Stanhope Agricultural Society • Stanhope Cricket Club • Stanhope Silver Band • Stenhouse Primary School • Step By Step In Moray • Stockbridge Primary School • Strathaven Agricultural Exp • Strathaven Fairtrade Group • Summerhill AFC • Sunrise Partnership SCIO • Syrian Refugee Crisis (Fundraising Events) • Tadpoles Toddlers • Tannochside Information And Advice • Tannochside Primary • Teenage Cancer Trust • Temple Shafton Youth Project • The Allotment Market Stall (TAMS) • The Bathgate Band • The Boghall Drop In Centre • The Broomhouse Centre • The Castlevue Centre • The Crew Project • The Edinburgh Singers • The Garden Gang • The Glenurquhart Centre • The Gordon Arms Hotel • The Grantown Society • The Great Salkeld 'Craic' Magazine • The Haven Centre • The Leprosy Mission • The Meeting Place • The Mixing Bowl Aberdeen • The MS Therapy Centre Tayside Ltd • The Preshal Trust • The Rannoch Centre • The Raven • The Rock Trust • The Royal High School • The State (Leith) CIC • The Vine Trust • The Watermillock Players • The Yard Adventure Centre • Thorniewood Credit Union • Thornton Road Community • Tir Na Nog Irish Dance Group • Together for Health • Tollcross Community Centre Association • Tollcross Community Council • Tollcross Primary School • Torphichen & Bathgate Pipe Band • Torphins Friendship Club • Torphins Playgroup • Torrance Playpark And Greenspace Group • Tots And Toddlers • Trussel Trust Foodbank • Tulloch • Tynecastle High School • Ullswotol Community College Cooking Project • Uddingston Pre School Group • Uddingston Pride • Unison Kinneil Band • Uphall OAPs • Uphall Playgroup • Uphall Station Pensioner Association • UR Life Group • Variety • Vibrant Musselburgh • Victoria Hospital, Kirkcaldy • Viewpark Gala • Volunteer Centre Dundee • Wear Pink To Work Drummadrochit • Wee Friendly Club • Weekend Respite Project • West Calder Community Centre • West Calder Juniors • West Edinburgh Majorettes • West End Tennis Club • West Kirk/Polbeth Harwood Churches • West Lothian Deaf Lady Bowlers • West Lothian Diabetes Scotland Group • West Of Scotland Housing • Westhill Senior Citizens • Whithburn Football Club Association • Whitdale Primary School • Whitecross Family Group • Whithorn And Garlieston Partnership • Wigtown Show Poultry Committee • Wild Things! • Willowburn Hospice • Wishaw Family Learning Centre • Wishaw General Hospital • Wishaw Nursery • Wishes Women's Group • Women 50:50 • Women Onto Work • Women v Cancer • Women's Aid • Women's Centre Information And Support • Woodhead Primary • Woodilee Bowling Club • Woodlands School • Woodmuir Primary School, Breich • Wormit Playgroup • Yorkhill Children's Hospital • Young at Heart • Young Mums Group • Yoyo (Kirkintilloch Canal Festival)

## December 2015 - January 2016



Dundas Fyfe in East Kilbride rebranded as Scotmid Funerals.



The new membership smart-phone app is launched.



Our new store in Broxburn opens.

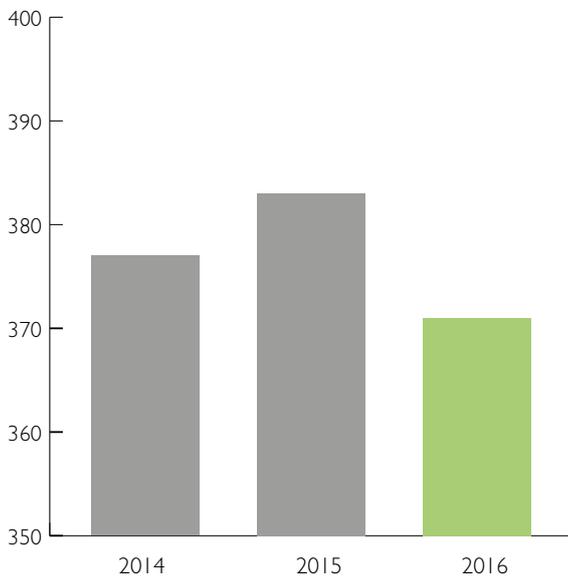
## Group Three Year Summary

	2015-16	2014-15	2013-14
	52 weeks	restated 53 weeks	restated 52 weeks
number of members	265,499	260,977	259,562
	<b>£000</b>	<b>£000</b>	<b>£000</b>
turnover	370,620	382,869	377,369
trading profit	5,740	5,528	4,518
operating profit/(loss)	7,829	5,616	(868)
surplus before taxation	5,446	3,181	n/a
surplus for the financial year	4,301	2,121	n/a
depreciation and amortisation	10,615	10,316	11,120
net finance costs	1,709	1,815	n/a
purchase of fixed assets	7,837	7,999	10,493
fixed assets	154,811	152,397	152,382
net current assets	3,937	3,532	4,676
total assets less current liabilities	158,748	155,929	157,058
less long term liabilities	(49,284)	(49,897)	(54,580)
less provision for liabilities and charges	(2,257)	(1,512)	-
less pension liability	(15,734)	(20,866)	(15,275)
net assets	91,473	83,654	87,203
share capital	5,988	5,874	5,964
revenue reserves	55,953	51,626	56,518
non-distributable reserve	29,532	26,154	24,721
shareholders funds	91,473	83,654	87,203

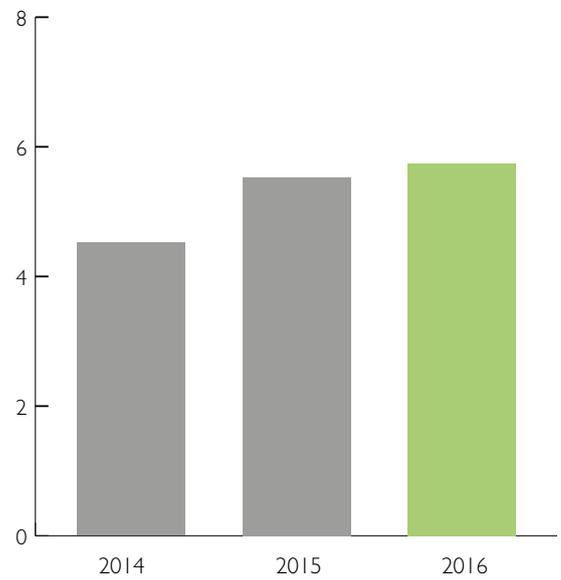
This is the first year that the Society has presented its financial statements under Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the period ended 31 January 2015 and the date of transition to FRS102 was 26 January 2014. As a consequence of adopting FRS102 a number of accounting policies have changed to comply with this standard and these are detailed in note 23. As a result, the net assets are only comparable for the last three years and items marked n/a are not comparable for FRS102 presentation. Turnover is now stated net of vat, disbursements, and discounts.

In accordance with FRS102, net assets at January 2014 have been restated to £87,203,000. These were previously stated as £90,186,000.

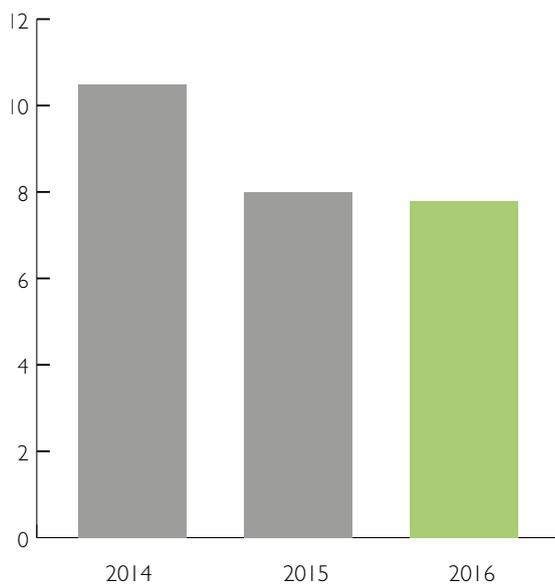
Turnover (£ millions)



Trading profit (£ millions)



Purchase of fixed assets (£ millions)



Net assets (£ millions)



## Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Co-operative and Community Benefit Societies law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102, the Financial Reporting Standard applicable to the UK and Republic of Ireland. The financial statements are required by the Co-operative and Community Benefit Societies Act 2014 to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for the period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Society will not continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for the system of internal control, for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Going concern

The Society's business activities, together with the factors likely to affect the future development, performance and position of the Society, are set out in the Directors' Report on pages 3 to 15. The Board remains satisfied with the Society's funding and liquidity position. The Society meets its funding requirements through a combination of term loans and an overdraft facility (renewable annually). The Board has undertaken a thorough review of the Society's financial forecasts and associated risks. These forecasts extend beyond one year from the date of approval of these financial statements and show that the Society will continue to operate within the terms and financial covenants of its bank facilities.

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

## Governance Report

### Code of Best Practice

The 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 individual remuneration packages of the Chair, Chief Executive Officer and members of the Executive team are shown in bandings within 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.
- 7) Timing of Board paper distribution: The Board regularly reviews its working practices and is satisfied that the timing of Board paper distribution is appropriate to the nature of documents to be considered. Plans are in place for the introduction of an electronic distribution of Board papers in 2016/17.

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. The Search Committee of the Board is responsible for membership matters including membership strategy and development. They are supported by a membership team who promote recruitment, organise membership events and communicate with members.

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

## Regional Democracy

The Society currently operates with three Regions (North, East & West). Members' meetings are held in each region and are advertised in our stores, on our website, by email and in the local press. Each region is represented by a Regional Committee, and members who meet the qualifying criteria are elected to the Committees by the membership at the members' regional meetings. Regional Committee members are elected to serve on the Committee for a period not exceeding three years after which they may stand for re-nomination with elections held at the Annual General Meeting in their region. Regional Committees are also responsible for the nomination of Directors, from within the Regional Committee, to represent the members for that region. The elections in 2015 were uncontested. On an annual basis each Regional Committee

conducts an annual planning and evaluation review with recommendations discussed by the Search Committee.

Membership of the North Regional Committee has progressed steadily since the Committee became fully established in 2013. Ten members now serve on the North Regional Committee and the Board aim to increase the Committee size to 12 by 2017.

Following the mergers with the Penrith and Seaton Valley Societies, the Board aims to establish a Regional Committee to serve members across the Penrith/Lakes & Dales area. Until that new Regional Committee is established, members from the former Penrith Society are now part of the West Region while members of the former Seaton Valley Society join with the East Regional Committee. Members from those areas are eligible for nomination and election to serve on those respective Regional Committees representing members from the Penrith/Lakes & Dales area. Plans to establish the new Regional Committee have commenced with the co-option of a member from the former Penrith Society and the appointment of a former Seaton Valley director.

## Board's Role

The role of the Board and the details of the Directors' role and responsibilities are contained within the Society's Rules which are available to all members on the Society's website or on request. Following the development of the North Regional Committee and as part of the transitional arrangements, the Board increased its size to 13 members by making an additional seat available for a North Regional Committee member to represent members from that region. Directors are nominated by Regional Committee members and elected by members from the Regions they represent. One retired employee is a Board member, there are no recently retired employee Board members and no Board member is employed by the Society. The elections in 2015 were uncontested.

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

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

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

## 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 four directors and it met three times in 2015/16. 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 2015/16 has been produced and audit plan for 2016/17 has been agreed with the Audit Committee. Any control weaknesses identified are highlighted to management and the Audit Committee which

monitors Internal Audit activity and ensures that appropriate actions are taken.

The terms of reference agreed by the Board include:

- Consideration of the appointment of the external auditor and the scope of the audit;
- Review 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. This process enables resource to be focussed on key risk areas, helping to prioritise activities. The Audit Committee reviews the risks facing the Society twice a year to determine if adequate controls are in place.

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

In line with the Code, the Audit Committee has established a policy of rotating the audit partner every five years. An interim audit partner was appointed in 2015 to temporarily replace the audit partner appointed in 2011. The external audit contract will be put out to tender during 2016.

### Remuneration

The Remuneration Committee consists of four directors, none of whom are employees, recently retired employees or the President of the Society. The Committee makes recommendations annually to the Board on executive remuneration. External advice is provided to the Remuneration Committee by an independent advisor 'Reward Matters Limited' to ensure that the remuneration is appropriate to the scale and scope of the business. The Remuneration Committee is also responsible for making recommendations to the Board for the level of Directors' remuneration and expenses. Details of the remuneration of Directors and Management Executive can be found in note 4 to the financial statements. The salary information in the bandings in note 4 provides appropriate disclosure of Board and Management Executive remuneration although not in the format recommended in the Code.

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

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

## 1) Annual Incentive Scheme

All members of the Management Executive are eligible to participate in an annual performance-related bonus scheme. The committee reviews bonus targets and levels of eligibility annually. There is a maximum bonus potential of 50% of base salary for exceeding targets determined by the Board. For Management Executive members with trading responsibilities, a significant proportion of the annual incentive is derived from trading performance. Targets in the bonus year 2015/16 related to financial performance measured by Society trading profit, as appropriate to the individual's area of responsibility. A discretionary element, based on personal objectives, is also included within the annual bonus scheme, and is part of the maximum bonus potential.

## 2) Long-Term Incentive Plan (LTIP)

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

## Search

The Search Committee consists of five directors. Following the election of Sheila Downie as a director the Board appointed her to the Search Committee.

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

Additional Search Committee meetings were held during the year to review and consider proposals to amend a number of the Regional Committees' working practices arising from the first Regional Committee planning and evaluation sessions. The changes introduced have enhanced the Regional Committee members experience and developed the working practices of those Committees. Following the success of these feedback sessions, the Board decided to repeat the process and further planning and evaluation sessions were held in the latter part

of the year with feedback to be considered by the Search Committee next year.

Updated Terms of Reference for the Audit, Search and Remuneration Committees were considered by the Search Committee with their recommendations approved by the Board.

A revised three year training plan for Board and Regional Committee members was approved by the Board in which learning and development opportunities are to be offered on a more tailored basis, including formal and informal learning, with elected members being encouraged to determine their own progression according to their aspirations.

A number of changes aimed at encouraging greater participation and making member meetings more engaging were trialled and will be implemented across future meetings. In order to make member meetings more accessible to a wider number of members in the North region, the Board decided to rotate the location of the AGMs. The 2015 North AGM was held in Aberdeen and arrangements have been made to hold the 2016 AGM in Inverness. The Search Committee also commenced a longer term review of the membership strategy and development taking into consideration the findings from market research.

The Search Committee considered the impact of the move from an age rule to balanced board method of refreshing the Board as part of the Society's ongoing succession planning recognising the importance of encouraging more members to participate in the democratic running of the Society. Under this approach the average length of service on the Board should not exceed 9 years. It is currently 9 years.

In preparation for the commencement of a cleanse of the membership database, an exercise to re-unite former Penrith Society members with their sharebooks was undertaken starting in Keswick.

The Board undertook its own evaluation of its skills and performance together with that of the Search Committee by self assessment questionnaire taking into consideration the results of the Board skills assessment conducted by Glasgow Caledonian University in 2014. Development areas identified by the external facilitator were considered by the relevant Board Committees and actions recommended to progress those matters were made to the Board. The Board consider that they act effectively and the results of the Board evaluation for 2015/16 will be considered at their future meetings.

For and on behalf of the Board

Harry Cairney - **President**

John Brodie - **Chief Executive Officer**

John Dalley - **Secretary**

6 April 2016

## Introduction

As a Co-operative Society we aim to operate our business in line with Co-operative values. 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. The current year's indicators reflect the 52 week trading period compared to the 53 week prior year. In October 2015 the Society completed the transfer of engagements with Seaton Valley Co-operative Society. The figures below are not materially affected by the inclusion of part year data from this Society.

## Member Economic Involvement

Member economic involvement has risen this year to 16% for the sample carried out, compared to 14% in 2014/15. This result is based on an independent exit survey conducted by Why Research at a sample of our stores.

## Member Democratic Participation

178 (2014/15 - 181) members attended the Annual General Meetings on 27 and 28 April 2015 and 151 (2014/15 - 154) members attended the Ordinary General Meetings on 5 and 6 October 2015.

## Staff and Member Training

This year around 27,000 hours (2014/15 - 23,000) of formal staff training took place, an average of 6.11 hours per employee (2014/15 - 4.9). During the year we continued to expand our programme of in-store e-learning and the total above includes an estimate of 11,500 hours delivered by this method.

Members actively participated in a total of 322 hours of training compared with last year's total of 361. The number of training hours per "active" member (where active membership for training purposes has been defined as the number of members attending the AGM) decreased to 1.81 hours (2014/15 - 2.01 hours). A revised 3 year training programme has been approved with the aim of offering training on a more tailored basis and encouraging elected members to determine their own progression according to their aspirations.

## Staff Injury and Absentee Rates

Reportable accidents involving staff occurred 13 times during 2015/16 compared to 14 times last year. This equates to 0.3% of the average total workforce. There were also 182 minor injuries, amounting to 4.1% of the average total workforce. This gives a combined total of 4.4% (2014/15 - 4.1%). The slight increase reported is likely to link to the improved electronic reporting mechanism which simplifies the process. Accident statistics are monitored by management to identify trends which are then addressed.

The total of 30,740 (2014/15 - 33,908) days lost due to absence equates to an average of 6.9 days per employee (2014/15 - 7.4). This figure is showing an improving picture on the previous year. The national figure for all employees (CIPD Absence Management Report 2015) matches our total however the national figure for Retail/Wholesale was extremely high at 11.5 days. There are quite significant fluctuations between sectors.

## Staff Profile

Scotmid had an average of 4,418 employees in 2014/15 (2014/15 - 4,660). The staff profile by gender at the year-end was 74% female and 26% male which remained the same as last year.

Ethnicity statistics were updated this year following a staff survey in 2015/16. The response level has been reasonable however this survey continues to be refined.

Ethnic Origin	% of workforce
Asian	1.2
Black	0.1
Other	0.2
White	98.5
Total	100

The most up to date census was carried out in 2011 and reports 96% as the proportion from a white ethnic background in the total population of Scotland however census areas with large cities report the most significant ethnic populations with Glasgow having the highest level at 12%. We see this pattern within our trading areas where we have the highest mix of ethnic minorities (15%) in our Edinburgh centred region.

## Customer Satisfaction

Harris International Marketing conduct a convenience store survey annually. We follow a similar pattern to the overall convenience tracking programme for primary needs of our customers averaging a 71% satisfaction rating. We outperform expectations on secondary needs which include quality of fresh products, for example, Food to Go. This is not directly comparable to last year's figure of 79%.

## Ethical Procurement

The majority of the Society's purchases are through the Co-operative Retail Trading Group (CRTG) now reformed as the Federal Retail Trading Services (FRTS). The Group remain committed to the principles of sound sourcing, animal welfare, food integrity, health and ecological sustainability as set out in their Sustainability Report published in June 2013.

## Investment in Community and Co-operative Initiatives

A total of £300,000 (2014/15 - £260,000) was spent on investment in both community and co-operative initiatives, amounting to 5.2% of our trading profit (2014/15 - 5.0%). An indication of the breadth of community initiatives supported is provided in the Directors' Report on pages 14 and 15. This year £11,000 (2014/15 - £12,000) was invested in co-operative initiatives.

A record breaking partnership with Anthony Nolan concluded in August 2015 with a total of £370,000 raised (£235,000 within this financial year). A further £132,000 has been raised to date for our current charity partners, Alzheimer Scotland and Alzheimer's Society, following the launch in September 2015. These charities aim to create dementia friendly communities, where people with dementia can live independent lives for longer.

## The Environment

Scotmid's aim to reduce net greenhouse gas emissions by 20% by 2020 (using 2008 levels as a base) has been achieved well ahead of schedule. As a result of this, a new emissions target is currently under review. The Society is continuing to invest in energy saving initiatives. During 2015/16 energy saving measures were completed in 73 stores. The programme includes the installation of LED lighting, building management systems and additional integration software which ensures the heating and air-conditioning work together efficiently.

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

The gross emissions, which include electricity from renewable sources, are 22,837 tonnes of GHG (2014/15 - 26,014 tonnes), a gross reduction of 12% from last year, achieved via an extensive Energy Efficiency Project carried out in 2015/16. All our electricity is purchased from renewable sources.

The Society produced an estimated 2,574 tonnes of GHG (net excluding electricity) from on-site operations compared to 2,186 last year. This equates to 0.58 tonnes of GHG per employee (2014/15 - 0.47 tonnes of GHG). This increase is mainly due to fluctuations in store gas usage caused by weather. These variances are being monitored more closely to identify and resolve underlying inefficiencies.

## Proportion of Waste Recycled/Reused

We continue to backhaul our waste from Food and Semichem stores. The waste is then processed for enhanced recycling. Our Head Office and Funeral offices recycle cardboard, paper and plastic through our waste uplift provider. As a result we estimate that we have recycled 4,800 tonnes of waste. The proportion of waste recycled has increased to 92% from 84% last year.

The estimated figure for waste to landfill is around 400 tonnes compared to 700 tonnes last year.

For and on behalf of the Board

Harry Cairney - **President**

John Brodie - **Chief Executive Officer**

John Dalley - **Secretary**

6 April 2016

We have audited the financial statements of Scottish Midland Co-operative Society Limited for the year ended 30 January 2016 which comprise the Statement of Accounting Policies, Group Profit and Loss Account, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Changes in Equity, Group Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Society's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of the Directors and Auditor

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

## Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-

financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 30 January 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

## Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

### Deloitte LLP

Chartered Accountants and Statutory Auditor

Glasgow, United Kingdom

7 April 2016

## General Information

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

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 30 January 2016. The Group transitioned from previously extant UK GAAP to FRS 102 as at 26 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 23.

## Basis of Accounting

The Group financial statements were authorised for issue by the Board of Directors on 6 April 2016. 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. 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, apart from the changes as a result of FRS 102, 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.

## 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. During the year a transfer of engagements with

Seaton Valley Co-operative Society took place incorporating the assets, liabilities and membership into the Society. The transfer of engagements is accounted for using the adjusted acquisition method recommended by Co-operatives UK.

## Accounting Date

The accounts are prepared for the 52 weeks to 30 January 2016 (2015 - 53 weeks to 31 January 2015).

## 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.

# Statement of Accounting Policies

## 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.

## 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. Up to the 26 January 2014 the surplus or deficit was transferred to the non-distributable (revaluation) reserve except that a deficit which was expected to be permanent or the reversal of such a deficit, was charged (or credited) to the profit and loss account. On disposal of investment properties, any related

balance remaining in the revaluation reserve is transferred to the non-distributable 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 and hence the existing capitalisation period remains. 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

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

## Cash and Cash Equivalents

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

## Stocks

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

## Debtors

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

## 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.

(continues overleaf)

## Pension Costs - continued

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.

### 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 £24,253,000.

### 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 17.

## Group profit and loss account for the year ended 30 January 2016

		2015-16 (52 weeks) total	2014-15 restated (53 weeks) total
	notes	£000	£000
<b>turnover</b>	1	370,620	382,869
cost of sales		<u>(272,497)</u>	<u>(282,443)</u>
<b>gross profit</b>		98,123	100,426
other income	2	6,007	6,046
net expenses	3	<u>(98,390)</u>	<u>(100,944)</u>
<b>trading profit</b>		5,740	5,528
exceptional items	5	(1,794)	(1,296)
investment property revaluation	10	3,397	1,602
share of joint venture operating loss		-	(7)
profit/(loss) on disposal of fixed assets		<u>486</u>	<u>(211)</u>
<b>operating profit</b>		7,829	5,616
net finance charges	6	<u>(1,709)</u>	<u>(1,815)</u>
<b>surplus before distributions</b>		6,120	3,801
<b>distributions</b>			
share interest		(79)	(79)
grants and donations	7	<u>(595)</u>	<u>(541)</u>
<b>surplus before taxation</b>		5,446	3,181
taxation	8	<u>(1,145)</u>	<u>(1,060)</u>
<b>surplus for the financial year</b>		<u>4,301</u>	<u>2,121</u>

Prior year figures have been restated following the adoption of FRS 102, the new accounting standard effective for this year, see note 23.

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

The notes on pages 34 to 50 form an integral part of these financial statements.

## Group statement of comprehensive income year ended 30 January 2016

		2015-16 (52 weeks) total	2014-15 restated (53 weeks) total
	notes	£000	£000
<b>surplus for the financial year</b>		<u>4,301</u>	<u>2,121</u>
transfer of reserves from incoming society net of fair value adjustments	22	(499)	-
actuarial gains/(losses) on defined benefit pension scheme	17	<u>4,981</u>	<u>(6,213)</u>
<b>other comprehensive income</b>		4,482	(6,213)
tax relating to components of other comprehensive income	8	<u>(1,078)</u>	<u>633</u>
<b>other comprehensive income for the period</b>		<u>3,404</u>	<u>(5,580)</u>
<b>total comprehensive income for the period</b>		<u>7,705</u>	<u>(3,459)</u>

Prior year figures have been restated following the adoption of FRS 102, the new accounting standard effective for this year, see note 23.

The notes on pages 34 to 50 form an integral part of these financial statements.

## Group balance sheet as at 30 January 2016

		2015-16		2014-15	
	notes	£000	£000	£000	restated £000
<b>fixed assets</b>					
intangible assets	9		24,253		26,131
tangible assets	10		121,335		118,676
investments	11		9,223		7,590
			154,811		152,397
<b>current assets</b>					
stocks - goods for resale			24,217	24,869	
debtors and prepayments	12		15,116	16,459	
cash at bank and in hand			8,308	3,750	
			47,641	45,078	
<b>current liabilities</b>					
<b>amounts falling due within one year</b>					
bank overdraft (secured)			-	(1,838)	
creditors	13		(43,704)	(39,708)	
			(43,704)	(41,546)	
<b>net current assets</b>			3,937	3,532	
<b>total assets less current liabilities</b>			158,748	155,929	
<b>long term liabilities</b>					
<b>amounts falling due after more than one year</b>					
creditors	14		(49,284)	(49,897)	
<b>provisions for liabilities</b>					
deferred taxation	8		(784)	-	
other provisions	5		(1,473)	(1,512)	
<b>net assets excluding pension liability</b>			107,207	104,520	
<b>pension liability</b>	17		(15,734)	(20,866)	
<b>net assets</b>			91,473	83,654	
<b>financed by</b>					
share capital	16		5,988	5,874	
non-distributable reserve			29,532	26,154	
revenue reserve			55,953	51,626	
<b>shareholders' funds</b>			91,473	83,654	

Prior year figures have been restated following the adoption of FRS102, the new accounting standard effective for this year, see note 23.

The notes on pages 34 to 50 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 6 April 2016. 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 30 January 2016

	notes	share capital £000	non-distributable reserve £000	revenue reserve £000	total £000
<b>at 25 January 2014 as previously stated</b>		5,964	24,721	59,501	90,186
changes on transition to FRS102	23	-	-	(2,983)	(2,983)
<b>at 26 January 2014 as restated</b>		5,964	24,721	56,518	87,203
surplus for the financial year (before restatement)		-	-	1,316	1,316
hedges of variable interest rate risk		-	-	14	14
defined benefit pension scheme interest		-	-	(645)	(645)
gains arising on revaluation of investment properties		-	-	1,602	1,602
deferred tax relating to revaluation of investment properties		-	-	(166)	(166)
surplus for the financial year (restated)		-	-	2,121	2,121
transfer of realised revaluation on disposal of properties		-	(169)	169	-
actuarial loss on defined benefit pension scheme	17	-	-	(6,213)	(6,213)
tax relating to items of other comprehensive income		-	-	633	633
total comprehensive income		-	(169)	(3,290)	(3,459)
issue/(withdrawal) of share capital	16	(169)	-	-	(169)
expenses of members capital	16	79	-	-	79
reclassification of revaluation of investment properties		-	1,602	(1,602)	-
<b>at 30 January 2015 as restated</b>		5,874	26,154	51,626	83,654
surplus for the financial year		-	-	4,301	4,301
transfer of realised revaluation on disposal of properties		-	(19)	19	-
actuarial gain on defined benefit pension scheme	17	-	-	4,981	4,981
transfer of reserves of incoming society net of fair value adjustments	22	-	-	(499)	(499)
tax relating to items of other comprehensive income		-	-	(1,078)	(1,078)
total comprehensive income		-	(19)	7,724	7,705
issue/(withdrawal) of share capital	16	35	-	-	35
expenses of members capital	16	79	-	-	79
reclassification of revaluation of investment properties		-	3,397	(3,397)	-
<b>at 30 January 2016</b>		5,988	29,532	55,953	91,473

Prior year figures have been restated following the adoption of FRS102, the new accounting standard effective for this year, see note 23.

The notes on pages 34 to 50 form an integral part of these financial statements.

## Group cash flow statement for the year ended 30 January 2016

		2015-16 (52 weeks)	2014-15 restated (53 weeks)
	notes	£000	£000
<b>net cash flows from operating activities</b>	18	20,394	7,703
<b>cash flows from investing activities</b>			
proceeds from sale of equipment		-	58
proceeds from sale of investment properties	5	2,703	285
purchase of equipment	10	(7,837)	(5,806)
interest received	6	867	791
interest paid	6	(1,964)	(1,960)
closure of joint venture	11	12	-
deferred consideration		(2,700)	(2,700)
cash acquired with Seaton Valley transfer of engagements	22	26	-
overdraft acquired with Seaton Valley transfer of engagements	22	(303)	-
<b>net cash flows from investing activities</b>		<u>(9,196)</u>	<u>(9,332)</u>
<b>cash flows from financing activities</b>			
share interest, grants and donations		(674)	(620)
repayments of borrowings	20	(1,000)	(1,000)
repayments of borrowings Seaton Valley	22	(1,757)	-
repayments of obligation under finance lease	20	(1,372)	(1,221)
proceeds on issue of shares		1	(90)
<b>net cash flows from financing activities</b>		<u>(4,802)</u>	<u>(2,931)</u>
<b>net increase/(decrease) in cash and cash equivalents</b>		<u>6,396</u>	<u>(4,560)</u>
<b>cash and cash equivalents at beginning of year</b>		1,912	6,472
<b>cash and cash equivalents at end of year</b>	20	<u>8,308</u>	<u>1,912</u>
<b>reconciliation to cash at bank and in hand</b>			
cash at bank and in hand at end of year		<u>8,308</u>	<u>1,912</u>

Prior year figures have been restated following the adoption of FRS102, the new accounting standard effective for this year, see note 23.

The notes on pages 34 to 50 form an integral part of these financial statements.

# Notes to the Group Accounts

	2015-16 (52 weeks) £000	2014-15 restated (53 weeks) £000
<b>1. turnover</b>		
<b>class of business</b>		
retail / wholesale	365,286	377,744
property	5,334	5,125
turnover	<u>370,620</u>	<u>382,869</u>

For the purposes of presentation turnover this year is stated net of VAT, disbursements and discounts. In prior years the turnover was stated inclusive of VAT, disbursements and discounts and sales were net of VAT only. 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 and ATM's.

	2015-16 (52 weeks) £000	2014-15 restated (53 weeks) £000
<b>3. net expenses</b>		
personnel costs	53,757	54,277
occupancy costs (excluding depreciation)	18,082	19,479
depreciation of owned assets	8,147	7,914
depreciation of assets held under finance leases	590	487
amortisation of goodwill	1,878	1,915
operating lease rentals - equipment and vehicles	455	510
fees - directors and committee members	155	219
expenses and delegations - directors and committee members	21	43
auditors' remuneration	85	85
auditors' remuneration non-audit - tax compliance	20	39
auditors' remuneration non-audit - tax advice	41	94
auditors' remuneration non-audit - pension	4	4
other expenses	15,155	15,878
	<u>98,390</u>	<u>100,944</u>

	2015-16 total number	2014-15 restated total number
<b>4. employees</b>		
<b>the average number employed was:</b>		
full time	1,398	1,354
part time	3,020	3,306
	<u>4,418</u>	<u>4,660</u>
	£000	£000
<b>the costs incurred in respect of these employees were</b>		
wages and salaries	50,017	50,554
social security costs	2,819	2,902
other pension costs	921	821
	<u>53,757</u>	<u>54,277</u>

4. employees - continued	2015-16 (52 weeks) £000	2014-15 restated (53 weeks) £000
<b>directors' emoluments</b>		
the total remuneration of the directors for their board and committee duties was		
fees, bonuses and delegations	125	131
the number of directors whose emoluments fell into each £2,500 bracket was		
	<b>number</b>	<b>number</b>
£1 - £2,500	-	1
£2,501 - £5,000	1	3
£5,001 - £7,500	-	1
£7,501 - £10,000	10	7
£12,501 - £15,000	1	1
£17,501 - £20,000	1	2
	<u>13</u>	<u>15</u>
<b>management executive emoluments</b>		
	<b>£000</b>	<b>£000</b>
the total remuneration of the management executive was		
wages & salaries	1,295	1,248
taxable benefits	63	89
pension and pension allowance costs	197	194
profit-related pay and long-term incentive scheme	2	8
	<u>1,557</u>	<u>1,539</u>
the number of management executives whose emoluments, excluding pension and benefits fell into each £10,000 bracket was		
	<b>number</b>	<b>number</b>
£90,001 - £100,000	1	1
£100,001 - £110,000	1	2
£110,001 - £120,000	2	-
£120,001 - £130,000	-	1
£180,001 - £190,000	-	1
£190,001 - £200,000	1	-
£230,001 - £240,000	-	1
£250,001 - £260,000	1	-
£400,001 - £410,000	-	1
£410,001 - £420,000	1	-
	<u>7</u>	<u>7</u>

## Notes to the Group Accounts

<b>5. exceptional items</b>	<b>2015-16</b> <b>(52 weeks)</b> <b>£000</b>	<b>2014-15</b> <b>restated</b> <b>(53 weeks)</b> <b>£000</b>
business integration, disruption and rationalisation costs	(4,056)	(1,430)
net gain on sale of non-core activity from Seaton Valley	2,262	-
net pension restructuring	-	134
	<u>(1,794)</u>	<u>(1,296)</u>

Business integration, disruption and rationalisation costs include the impact of the anticipated closure of stores, range rationalisation, legacy costs and costs associated with the integration of Seaton Valley Co-operative Society. Non-core activities taken on at the transfer of engagement with Seaton Valley were closed or sold in the year with a net gain on sale of £2,262,000. Provision for further rationalisation and delapidation costs are viewed as liabilities over one year.

The £134,000 credit last year was a funding credit from the Penrith element of the Society's defined benefit pension scheme.

<b>6. net finance charges</b>	<b>2015-16</b> <b>(52 weeks)</b> <b>£000</b>	<b>2014-15</b> <b>restated</b> <b>(53 weeks)</b> <b>£000</b>
<b>interest payable</b>		
funeral bond interest	803	722
bank overdraft and loan	958	986
finance leases	118	118
other interest	85	134
interest cost on pension scheme liabilities	2,392	2,989
total interest payable	<u>4,356</u>	<u>4,949</u>
<b>less - interest receivable and investment income</b>		
expected return on pension scheme assets	1,780	2,343
unlisted investments	52	53
other interest	1	2
funeral bond interest	803	722
derivative movement	11	14
total interest receivable	<u>2,647</u>	<u>3,134</u>
<b>total</b>	<u>1,709</u>	<u>1,815</u>

<b>7. grants and donations</b>	<b>2015-16</b> <b>£000</b>	<b>2014-15</b> <b>£000</b>
member relation activities & grants	548	499
donations	47	42
	<u>595</u>	<u>541</u>

## Notes to the Group Accounts

	2015-16 (52 weeks) £000	2014-15 restated (53 weeks) £000
<b>8. taxation</b>		
<b>8a. profit and loss account and other comprehensive income</b>		
<b>current taxation</b>		
UK corporation tax charge for the year	538	400
adjustment in respect of prior years	<u>22</u>	<u>(498)</u>
<b>total current taxation</b>	560	(98)
<b>deferred taxation</b>		
origination and reversal of timing differences	912	76
adjustment in respect of prior years	(146)	881
deferred tax on revaluation of investment properties to be allocated	-	166
adjustment due to change of tax rate	<u>(181)</u>	<u>35</u>
<b>total deferred taxation</b>	585	1,158
<b>total profit and loss account taxation charge</b>	<u>1,145</u>	<u>1,060</u>
<b>other comprehensive income items</b>		
deferred tax in current year charge/(credit)	<u>1,078</u>	<u>(633)</u>
<b>8b. taxation reconciliation</b>		
The tax in the profit and loss account for the year is higher (2014-15 higher) from the standard rate of corporation tax in the UK. The difference is explained below		
<b>surplus before tax</b>	<u>5,446</u>	<u>3,181</u>
<b>tax on surplus at standard rate of corporation tax in the UK of 20.16% (2014-15: 21.32%)</b>	1,098	678
<b>factors affecting tax charge for the year</b>		
expenses not deductible for tax	706	109
sale of substantial shareholding (exempt from corporation tax)	(215)	-
indexation allowance	(186)	(180)
effect of tax rate changes	(180)	(1)
adjustment to tax in respect of prior years	(124)	382
other	46	72
<b>tax charge for the year</b>	<u>1,145</u>	<u>1,060</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. Prior year also includes consolidation adjustments in respect of the defined benefit pension scheme.

### sale of substantial shareholding

The sale of shares in R Hindhaugh (Chemists) Ltd is exempt from corporation tax as the sale qualifies for the substantial shareholding exemption.

### indexation allowance

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

### change in tax rates

Finance Act 2013 enacted a reduction in the UK corporation tax rate to 20% with effect from 1 April 2015. This reduction in the tax rate impacted the current tax charge in the reporting period resulting in a weighted-average rate for the period of 20.16%.

Finance (No. 2) Act 2015 enacted reductions in the UK corporation tax rate to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. 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 18%. In the Budget on 16 March 2016, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020 (instead of 18%). This rate change has not yet been enacted and has not been reflected in the financial statements.

### adjustments to tax in respect of prior years

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

### other

Other adjustments mainly comprise tax on the allocation of partnership profits (for Scotmid Pension GP Ltd) and gains on disposal of fixed assets which do not qualify for capital allowances.

In the financial year ended 2012-13, the Society took steps to improve the security of the members of our defined benefit pension scheme. To do this, we placed a variety of trading and investment properties into the Scotmid Pension Limited Partnership, directing rental income into the pension scheme as a form of cash contribution. The original value of this Asset Backed Funding transaction was £11,223,000 which was eligible for tax relief, of which £9,070,000 was subject to current tax relief spread over four years. Because the Society was entitled to future tax relief, a corresponding deferred tax asset was created and has been released to deferred tax over a matching four year period. 2015-16 was the final year of this pension spreading with a £454,000 charge to deferred taxation released to offset the benefit in current taxation.

The deferred tax asset is calculated on the deficit in the scheme recognised in the Society accounts and the element of Asset Backed Funding contribution not yet tax deductible. The deficit recognised by the Society of £5,638,000 (2014-15 - £10,625,000) is lower due to 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 18%) on the actuarial gain on the Society's defined benefit pension scheme.

### tax policy

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 will be published on our website.

## Notes to the Group Accounts

8c. deferred taxation	2015-16	2014-15
	£000	restated £000
<b>deferred tax</b>		
at the beginning of the year	775	1,300
adjustment in respect of prior years	146	(881)
deferred tax charge to income statement in the period	(731)	(277)
deferred tax charge to other comprehensive income statement in the period	(1,078)	633
transferred in from transfer of engagements	104	-
<b>deferred tax provision at the end of the year</b>	<u>(784)</u>	<u>775</u>
<b>deferred tax assets/(liabilities)</b>		
fixed asset timing differences	(2,613)	(2,413)
short term timing differences	1,499	2,796
losses	330	392
<b>deferred tax provision at the end of the year</b>	<u>(784)</u>	<u>775</u>

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

Tax losses are from the transfer engagements of Penrith and Seaton Valley Societies and are expected to be utilised against the future profits within these parts of the Society's business.

<b>deferred tax assets</b>		
recoverable within 12 months	596	2,903
recoverable after 12 months	1,344	392
<b>deferred tax assets</b>	<u>1,940</u>	<u>3,295</u>
<b>deferred tax liabilities</b>		
payable within 12 months	-	-
payable after 12 months	(2,724)	(2,520)
<b>deferred tax liabilities</b>	<u>(2,724)</u>	<u>(2,520)</u>

### 9. intangible assets

goodwill	cost £000	amortisation £000	balance sheet value £000
at the beginning of the year	52,363	(26,232)	26,131
amortisation provided for the year	-	(1,878)	(1,878)
at the end of the year	<u>52,363</u>	<u>(28,110)</u>	<u>24,253</u>

## Notes to the Group Accounts

10. tangible fixed assets	land & buildings £000	investment properties £000	plant vehicles & fixtures £000	total £000
<b>cost or valuation</b>				
31 January 2015	31,803	68,602	109,576	209,981
additions	167	1,165	6,505	7,837
disposals	(1,284)	(645)	(7,135)	(9,064)
transfer of engagements (see note 22)	1,591	388	461	2,440
reclassification	(12)	169	(247)	(90)
revaluation	-	3,397	-	3,397
30 January 2016	32,265	73,076	109,160	214,501
<b>depreciation</b>				
31 January 2015	12,882	-	78,423	91,305
provided for the year	752	-	7,985	8,737
disposals	(435)	-	(6,351)	(6,786)
reclassification	(10)	-	(80)	(90)
30 January 2016	13,189	-	79,977	93,166
balance sheet value at 31 January 2015	18,921	68,602	31,153	118,676
balance sheet value at 30 January 2016	19,076	73,076	29,183	121,335

The net book value of the group's fixed assets includes £2,605,000 (2014-15 - £3,132,000) 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 30 January 2016 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 £14,129,000 (2014-15 - £13,471,000) 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

II. investments	long term	current	total	long term	current	total
	restated	restated	restated	restated	restated	restated
	2015-16	2015-16	2015-16	2014-15	2014-15	2014-15
	£000	£000	£000	£000	£000	£000
funeral bond investment	7,256	595	7,851	5,744	490	6,234
<b>unlisted investments</b>						
Co-operative Group shares	1,341	-	1,341	1,324	-	1,324
other C & CB Societies	2	-	2	2	-	2
others	39	-	39	28	-	28
joint ventures	(16)	-	(16)	(4)	-	(4)
	<hr/>			<hr/>		
	1,366	-	1,366	1,350	-	1,350
<b>listed investments</b>						
others	6	-	6	6	-	6
	<hr/>			<hr/>		
	8,628	595	9,223	7,100	490	7,590
	<hr/>			<hr/>		

	funeral bond investments £000	unlisted investments £000	listed investments £000	total £000
<b>cost or valuation</b>				
balance sheet value at 31 January 2015	6,234	1,350	6	7,590
additions	1,424	10	-	1,434
disposals	(610)	(12)	-	(622)
interest gain	803	-	-	803
transfer of engagements (see note 22)	-	18	-	18
	<hr/>			
balance sheet value at 30 January 2016	7,851	1,366	6	9,223
	<hr/>			

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 30 January 2016 was £30,000 (2014-15 - £33,000) and therefore the fair value would add £24,000 (2014-15 - £27,000) if restated.

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

During the year 2015-2016, in advance of the transfer of engagements, the Society made a £400,000 investment in Seaton Valley Co-operative Society Limited. At the transfer of engagements on 3 October 2015, this investment was offset.

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

The group has an interest in two joint ventures. The principal activity of these companies is property development, they are incorporated in Great Britain and registered in Scotland. The Society's investment value in Scotmid - Miller (Great Junction Street) Limited and Scotmid - Bett (Fountainbridge) Limited represents 50% of the net assets/liabilities of the companies. Scotmid - Bett (Fountainbridge) Limited has distributed final settlement of funds and is in the process being wound up following completion of joint venture project. The most recent balance sheets of the companies are shown in the following note.

# Notes to the Group Accounts

11. investments - continued	Scotmid - Miller (Great Junction Street)		Scotmid - Bett (Fountainbridge)	
	2015-16	2014-15	2015-16	2014-15
	£000	£000	£000	£000
gross assets	6	6	-	12
gross liabilities	(22)	(22)	-	-
net (liabilities)/assets	(16)	(16)	-	12
net investment	(16)	(16)	-	12

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

12. debtors and prepayments due within one year	2015-16 £000	2014-15 restated £000
trade debtors	321	450
prepayments and other debtors	13,921	14,342
deferred tax (see note 8)	-	775
corporation tax recoverable	874	892
	<u>15,116</u>	<u>16,459</u>

13. creditors falling due within one year	2015-16 £000	2014-15 restated £000
trade creditors	21,933	18,933
holiday pay	396	500
VAT	1,596	1,374
funeral bond deferred income	595	490
other sundry creditors	4,756	2,335
accrued charges	11,583	10,316
PAYE and social security	680	759
bank loan (see note 14)	1,000	1,000
deferred consideration	-	2,700
obligations under finance leases (see note 14)	1,165	1,301
	<u>43,704</u>	<u>39,708</u>

<b>14. creditors falling due after more than one year</b>	<b>2015-16</b>	<b>2014-15</b>
	<b>£000</b>	<b>restated £000</b>
bank loans	40,000	41,000
obligations under finance leases	1,124	2,234
funeral bond deferred income	8,160	6,663
	<u>49,284</u>	<u>49,897</u>
<b>borrowings are repayable as follows:</b>		
<b>bank loans</b>		
between one and two years	1,000	1,000
between two and five years	39,000	40,000
	<u>40,000</u>	<u>41,000</u>
on demand or within one year	1,000	1,000
	<u>41,000</u>	<u>42,000</u>
<b>finance leases</b>		
between one and two years	794	1,109
between two and five years	330	1,125
	<u>1,124</u>	<u>2,234</u>
on demand or within one year	1,165	1,301
	<u>2,289</u>	<u>3,535</u>
<b>funeral bond deferred income</b>		
between one and two years	595	490
between two and five years	1,785	1,470
after five years	5,780	4,703
	<u>8,160</u>	<u>6,663</u>
on demand or within one year	595	490
	<u>8,755</u>	<u>7,153</u>
<b>deferred consideration</b>		
on demand or within one year	-	2,700
	<u>-</u>	<u>2,700</u>
<b>total bank loans, deferred consideration, and finance leases excluding bank overdraft</b>		
between one and two years	2,389	2,599
between two and five years	41,115	42,595
after five years	5,780	4,703
	<u>49,284</u>	<u>49,897</u>
on demand or within one year	2,760	5,491
	<u>52,044</u>	<u>55,388</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.

## Notes to the Group Accounts

	2015-16	2014-15
	£000	restated £000
<b>15. derivatives</b>		
<b>derivative financial instruments held to manage interest rates</b>		
interest rate derivatives (at fair value)	<u>(189)</u>	<u>(201)</u>

The Society's interest rate derivatives with a value of £15,000,000 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 August 2016 and January 2020.

	2015-16	2014-15
	£000	£000
<b>16. share capital</b>		
at beginning of year	5,874	5,964
interest	<u>79</u>	<u>79</u>
	5,953	6,043
contributions	129	108
cross investment	400	-
issued to members of incoming society	<u>113</u>	<u>-</u>
	6,595	6,151
withdrawals	(207)	(277)
cross investment offset	<u>(400)</u>	<u>-</u>
at end of year	<u>5,988</u>	<u>5,874</u>

- (i) share capital comprises 5,998,000 shares (2014-15 - 5,874,000) of £1 attracting interest at 1.5%.
- (ii) shares are withdrawable on periods of notice in accordance with the Society's Rules (Rule 13), however, the directors retain the right to refuse redemption.
- (iii) each member is entitled to one vote, regardless of the number of shares held.
- (iv) prior to the transfer of engagements on 3 October 2015, the Society accepted a £400,000 investment from Seaton Valley Co-operative Society Limited. Concurrent with this investment, the Society made an investment in Seaton Valley Co-operative Society Ltd of £400,000. At the completion of the transfer of engagements, this cross investment was offset.

### 17. 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.

## 17. accounting for pension costs - continued

The most recent full actuarial valuation was carried out at 25 January 2014 and updated to 30 January 2016 by Mr Murray Wright, Fellow of the Institute and Faculty of Actuaries. The actuarial valuation method used was the projected unit method.

This valuation has been updated by the actuary to 30 January 2016 in order to comply with FRS102.

		at 30 January 2016	at 31 January 2015
<b>the major assumptions used by the actuary were</b>			
rate of increases in pensions accrued post 05/04/97	LPI 5% (RPI)	2.95%	2.70%
	LPI 2.5% (RPI)	2.05%	1.95%
rate of increase in deferred pensions	LPI 2.5% (RPI)	3.05%	2.75%
rate of increase in deferred pensions	LPI 2.5% (CPI)	2.05%	1.75%
discount rate		3.70%	3.00%
inflation assumption		3.05%	2.75%
life expectancy retiring today	male	85.6 years	85.9 years
	female	89.4 years	89.6 years
life expectancy in 20 years	male	87.7 years	88.1 years
	female	91.4 years	91.6 years

Investigations have been carried out within the past three 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.

The closure of the future accrual of the defined benefit scheme means that the increase in salary is no longer a key assumption.

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

	2015-16	2014-15
	£000	restated £000
current service cost	857	782
net interest cost	612	646
	<u>1,469</u>	<u>1,428</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 30 January 2016	at 31 January 2015
present value of defined benefit obligations	(73,217)	(80,503)
fair value of scheme assets	57,483	59,637
deficit	<u>(15,734)</u>	<u>(20,866)</u>
net liability recognised in the balance sheet	<u>(15,734)</u>	<u>(20,866)</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, £223,000.

## Notes to the Group Accounts

	2015-16	2014-15
	£000	restated £000
<b>17. accounting for pension costs - continued</b>		
<b>analysis of the movement in the scheme deficit in the year</b>		
opening deficit in the scheme	(20,866)	(15,275)
current service cost	(857)	(782)
contributions	1,843	1,916
net financing charge	(612)	(646)
actuarial gain/(loss)	4,981	(6,213)
gain on curtailment	-	134
closing scheme deficit	<u>(15,511)</u>	<u>(20,866)</u>
transfer of incoming society pension deficit	(223)	-
total deficit	<u>(15,734)</u>	<u>(20,866)</u>
<b>reconciliation of present value of scheme liabilities</b>		
opening defined benefit obligation	80,503	68,772
service cost	857	782
interest cost	2,392	2,989
contributions by employees	389	400
actuarial (gain)/loss	(8,303)	10,486
benefits paid	(2,844)	(2,792)
liabilities acquired from incoming Society	223	-
gain on curtailment	-	(134)
closing defined benefit obligation	<u>73,217</u>	<u>80,503</u>
<b>reconciliation of present value of scheme assets</b>		
opening fair value of the scheme assets	59,637	53,497
expected return	1,780	2,343
actuarial (gain)/loss	(3,322)	4,273
contributions by employer	1,843	1,916
contributions by employees	389	400
benefits paid	(2,844)	(2,792)
closing fair value of the scheme assets	<u>57,483</u>	<u>59,637</u>
<b>analysis of the fair value of scheme assets at the balance sheet date was as follows</b>		
equities	32,182	32,730
bonds	317	421
other	1,994	805
asset backed funding arrangement contribution	969	969
buy-in	21,246	24,061
property	775	651
total market value of assets	<u>57,483</u>	<u>59,637</u>

In setting the expected return on the assets as at 30 January 2016, 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.

	2015-16	2014-15
	£000	restated £000
<b>17. accounting for pension costs - continued</b>		
<b>history of experience gains and losses</b>		
<b>amounts taken to the consolidated statement of comprehensive income</b>		
actual return less expected return on pension scheme assets	(3,322)	4,273
experience gains arising on the scheme liabilities	659	1,640
changes in assumptions underlying the value of scheme liabilities	7,644	(12,126)
actuarial gain/(loss) before tax adjustments	<u>4,981</u>	<u>(6,213)</u>
<b>18. cash flow statement : reconciliation of surplus for the year on ordinary activities to net cash inflow from operating activities</b>	<b>2015-16</b>	<b>2014-15</b>
	<b>£000</b>	<b>restated £000</b>
operating profit	7,829	5,616
<b>adjustment for</b>		
gain on investment properties	(3,397)	(1,602)
share of joint venture	-	7
surplus/(loss) on disposal of fixed assets	(486)	211
depreciation charges	8,737	8,401
amortisation of goodwill	1,878	1,915
decrease in stocks	1,121	1,984
decrease/(increase) in debtors	955	(3,563)
increase/(decrease) in creditors and other provisions	5,284	(3,365)
movement in pension liability	(985)	(1,135)
corporation tax paid	(542)	(632)
pension funding credit on curtailment	-	(134)
net cash inflow from operating activities	<u>20,394</u>	<u>7,703</u>
<b>19. cash flow statement: reconciliation of net cash flow to movement in net debt</b>	<b>2015-16</b>	<b>2014-15</b>
	<b>£000</b>	<b>restated £000</b>
increase/(decrease) in cash for year	6,396	(4,560)
cash outflow from change in net debt and lease financing	2,372	2,221
change in net debt resulting from cash flows	<u>8,768</u>	<u>(2,339)</u>
new finance leases	-	(2,193)
transfer from incoming society - finance leases	(126)	-
transfer from incoming society - loan	(1,757)	-
repayment of incoming society loan	1,757	-
movement in net debt for the year	<u>8,642</u>	<u>(4,532)</u>
opening net debt	(43,623)	(39,091)
closing net debt	<u>(34,981)</u>	<u>(43,623)</u>

## Notes to the Group Accounts

20. cash flow statement : analysis of net debt	at 31 January 2015 £000	cashflow £000	other non-cash charges £000	at 30 January 2016 £000
cash at bank and in hand	3,750	4,558	-	8,308
bank overdraft	(1,838)	1,838	-	-
	1,912	6,396	-	8,308
debt due after 1 year	(41,000)	-	1,000	(40,000)
debt due within 1 year	(1,000)	1,000	(1,000)	(1,000)
finance leases	(3,535)	1,372	(126)	(2,289)
	(45,535)	2,372	(126)	(43,289)
total	(43,623)	8,768	(126)	(34,981)

## 21. operating lease commitments

	land & buildings	plant, vehicles & fixtures	land & buildings	plant, vehicles & fixtures
	2015-16 £000	2015-16 £000	2014-15 restated £000	2014-15 restated £000
<b>leases which expire</b>				
within one year	1,008	142	1,531	387
within two to five years	4,508	740	4,656	128
after five years	24,466	-	27,865	-
	29,982	882	34,052	515

At 30 January 2016 the commitment to make total future minimum lease payments in respect of operating leases is shown above

## 22. transfer of engagements

On 3 October 2015, Seaton Valley Co-operative Society Limited transferred its engagements to the Society under section 110 of the Co-operative and Community Benefit Societies Act 2014. The Transfer of Engagements incorporates the Seaton Valley Society assets, liabilities and membership into the Society.

The Transfer of Engagements is accounted for using the adjusted acquisition method recommended by Co-operatives UK. A Transfer of Engagements does not involve the payment of a consideration to acquire the business, consequently goodwill is not recognised on the transaction. The Transfer of Engagements had the following effect on the Society's assets, liabilities and members' share capital:

	book value £000	fair value adjustment £000	note	fair value transferred £000
tangible fixed assets	4,104	(1,664)	(i)	2,440
investments	18	-		18
stock	469	-		469
debtors	406	-		406
deferred tax	-	104	(ii)	104
cash in hand	26	-		26
creditors	(1,440)	-		(1,440)
finance leases	(126)	-		(126)
bank overdraft	(303)	-		(303)
bank loan	(1,757)	-		(1,757)
pension deficit	(223)	-		(223)
net liabilities	1,174	(1,560)		(386)
members' share capital	113			113
retained reserves	1,061	(1,560)		(499)
	<u>1,174</u>	<u>(1,560)</u>		<u>(386)</u>

Following the Transfer of Engagements and prior to the year end, the bank loan and overdraft previously held by Seaton Valley Co-operative Society Limited with Santander Bank were repaid in full and the associated security released.

In advance of the Transfer of Engagements the Society made a £400,000 investment in Seaton Valley Co-operative Society Limited. Concurrent with this investment, the Society accepted an investment from Seaton Valley Co-operative Society Limited of £400,000. At the Transfer of Engagements, this cross investment was offset.

The book values disclosed above, before fair value adjustments, are extracted from the completion accounts of Seaton Valley Co-operative Society Limited as at 3 October 2015 after adjusting for the corresponding cross investment held by Seaton Valley Co-operative Society Limited.

- (i) Tangible fixed assets relating to property were assessed to determine their appropriate fair value on transfer into the Society through third party market valuation.
- (ii) Seaton Valley had an unrecognised deferred tax asset. With the transfer of engagements the Society envisages utilising the underlying tax losses in a reasonable time frame and therefore has recognised the value of this asset.

# Notes to the Group Accounts

## 23. explanation of transition to FRS 102

This is the first year that the Society has presented its financial statements under Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the period ended 31 January 2015 and the date of transition to FRS102 was 26 January 2014. As a consequence of adopting FRS102 a number of accounting policies have changed to comply with this standard.

### reconciliation of shareholders' funds

		Group At 31 January 2015	Group At 26 January 2014
	Note	£000	£000
shareholders' funds reported under previous UK GAAP		86,789	90,186
<b>adjustments to equity on transition to FRS102</b>			
prior year brought forward		(2,983)	-
interest rate derivatives	i)	14	(215)
defined benefit pension interest	ii)	(645)	-
deferred tax on property revaluation	v)	(166)	(2,768)
pension actuarial gain	iv)	645	-
		<u>(3,135)</u>	<u>(2,983)</u>
shareholders' funds reported under FRS 102		<u>83,654</u>	<u>87,203</u>

**2014-15  
restated  
£000**

profit for the financial year under previous UK GAAP

1,316

### adjustments to equity on transition to FRS102

interest rate derivatives	i)	14
defined benefit pension	ii)	(645)
investment property revaluation	iii)	1,602
adjustments to tax in respect of transition to FRS102	v)	(166)
profit for the financial year under FRS 102		<u>2,121</u>

Note:- accounting standard FRS102 has the following impact

i) interest rate derivatives with a value of £15,000,000 are held to protect the exposure to interest rate movements on debts held and mature between August 2016 and January 2020. In prior years under UK GAAP the valuations were disclosed and not accounted for, see note 15.

ii) defined benefit pension accounting changes from FRS17 moving to a discounted rate approach to valuation which results in a net increase of £645,000 interest charge in prior year.

iii) investment properties are revalued each accounting period at fair value and have under UK GAAP been held under a revaluation reserve on the balance sheet. The changes in accounting standard now require the revaluation to be recognised through the profit and loss account. Figure includes roll over relief of £324,000 for 2014/15.

iv) Corresponding change in the actuarial gain in the statement of comprehensive income arising from the change to pension interest in note ii) above.

v) Deferred tax on the revaluation of investment properties as described in note iii).

Notice is hereby given that an Annual General Meeting of the Society will be held on Monday, 25 April 2016 at 7:00pm at the following locations: Thistle Suite, Murrayfield Stadium, Edinburgh and Panorama Suite, Hamilton Park Racecourse, Hamilton, South Lanarkshire, ML3 0DW and on Tuesday 26 April 2016 at 7:00pm at The Waterside Hotel, 19 Ness Bank, Inverness IV2 4SF.

### Agenda of Business

1. Synopsis of Minutes of Ordinary General Meetings held on 5 & 6 October 2015.
2. Appointment of Tellers.
3. Elections: for the Regional Committees:  
**East Region:** 4 Members to serve for 3 years and 1 Member to serve for 2 years;  
**North Region:** 4 Members to serve for 3 years;  
**West Region:** 4 Members to serve for 3 years;  
**Penrith/Lakes & Dales:** 1 Member to serve for 3 years
4. Directors' Report/Annual Accounts.
5. Synopses of Minutes of Board Meetings.
6. Consideration of remuneration for Office Bearers and Directors:  
Present remuneration (per annum):  
**Central Board:** President £11,140 ; Vice President £7,945 ; Directors £5,480;  
**Regional Committees:** Chairman £3,250 ; Vice Chairman £2,685; Treasurer £2,520;  
Minute Secretary £2,350; Committee Members £2,240; Tellers £5.
7. Consideration of scale of Directors' Delegations and Attendance payments:  
Present Scale Day Payment £105; Part Day Payment £65: Attendance Payment: £35
8. Membership & Community Development Report.
9. General 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. 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. If you wish to attend the meeting but have transportation/mobility difficulties, please contact the Membership team before Monday 11 April 2016 and we will try to assist where possible.

The deadline for registration and submitting questions prior to the Meeting is Monday 18 April 2016 at 4:00pm.

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

The meeting will start at 7:00pm prompt and to ensure there are no disruptions late entry will not be permitted.

The next General Meeting (Ordinary General Meeting) will be held on Monday 3 October 2016 at Hamilton and Brechin and on Monday 10 October 2016 in Edinburgh.

## Board Members

Board Directors	Board	General Purposes	Audit	Remuneration	Search
Mr H Cairney (President)	14	3(C)			6(C)
Mr J Watson (Vice President) *	14	3		2(C)	
Mr J Anderson	13	3	3(C)		
Mrs S Downie (A 6/10/15) *	4				1
Mr J Gilchrist	12		2		
Mr T McKnight	12	3	3		
Mr J Miller	13			2	
Mr D Paterson *	14				5
Mr M Ross	13				3
Mr A Simm	14			2	
Mrs G Smallman	13				6
Mr E Thorn	14		3		
Miss A Williamson *	13	3		2	
Total meetings held	14	3	3	2	6

### Key

P = President VP = Vice President A = Appointed C = Committee Chair

### Directors

\* At the OGM held on 5 & 6 October 2015, David Paterson, Sandra Williamson and Jim Watson were re-elected to serve as Directors for further 3 year terms of office. To reflect the growth of the North Regional Committee, the Board increased its size to 13 members and Sheila Downie was elected by Members from the North Region to serve as a Director for a 3 year term of office.

Following her election to the Board, Sheila Downie was appointed to the Search Committee on 10 December 2015.

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

## Regional Committee Members

East Regional Committee		West Regional Committee		North Regional Committee	
Miss A Williamson (C)	7	Mr T McKnight (C) ◇	6	Mr J Anderson (C)	7
Mr H Cairney (VC)	8	Mr J Watson (VC) ◇	8	Dr R McCready (VC)	7
Mr D Paterson (MS) ◇	8	Mr J Gilchrist (T)	7	Mrs M Smith (MS)	8
Mr C Henderson (A 1/1/16)	0	Mr M Ross (MS)	8	Mrs A Anderson ◇	7
Mr D Jamieson †	7	Mr S Ballantyne (A 27/4/15)	5	Mr A Cullen ◇	6
Mr K Kelly	6	Mr I Gilchrist	6	Mrs S Downie	6
Mr J Mackenzie ◇	7	Mrs M Kane	6	Mr A Maclean	7
Mr J Miller	8	Mr R Kelt †	5	Mr D Patterson	8
Mr D Reid	8	Mr G Randell	5	Ms E Farquahar (A 28/4/15)	6
Mrs J Reid	8	Mrs K Scott	7	Mr A Stokes ◇	7
Mrs G Smallman	8	Mr A Simm ◇	8		
Mr E Thorn ◇	8	Ms R Smith (Co 6/10/15)	1		
Total meetings held	8	Total meetings held	8	Total meetings held	8

### Key

C= Committee Chair, VC = Vice Committee Chair, MS = Minute Secretary, T = Treasurer, A= Appointed, Co = Co-opted.

◇ Regional Committee Members due to retire by rotation in April 2016 and were nominated for re-election at OGM 2015.

† Ross Kelt and Douglas Jamieson decided not to seek re-nomination and will retire at the AGM with the Society's thanks for their many years of service.

Becky Smith was co-opted to join the West Regional Committee on 6 October 2015 to represent members from the Penrith/Lakes & Dales area and serve until AGM 2016. She has been nominated by the Board to serve a 3 year term of office.

Chris Henderson, a Director of the former Seaton Valley Co-operative, was appointed by the Board following the Transfer of Engagements to serve on the East Regional Committee until AGM 2017.

# SCOTMID

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**Scottish Midland Co-operative Society Limited**

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