SCOTTISH MIDLAND CO-OPERATIVE SOCIETY LIMITED

150

1859 2009

SCOTMID

at the heart of Scottish communities

SCOTMID

Scottish Midland Co-operative Society Limited
Hillwood House, 2 Harvest Drive, Edinburgh, EH28 8QJ

OUR ANNUAL REPORT & FINANCIAL ACCOUNTS CAN BE DOWNLOADED FROM OUR WEBSITE AT WWW.SCOTMID.COOP

CELEBRATING 150 YEARS AT THE HEART OF SCOTTISH COMMUNITIES 1859-2009

ANNUAL REPORT & FINANCIAL ACCOUNTS

For the year ended 31 January 2009

SCOTMID co-operative

TURNOVER ON CONTINUING ACTIVITIES UP

£22M TO £333M

OPERATING SURPLUS ON CONTINUING ACTIVITIES BEFORE EXCEPTIONALS UP

63% TO £8.7M

NET ASSETS OF

£90M

INVESTMENT IN BUSINESS

£15M

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DIRECTORS, OFFICERS AND ADVISORS

PRESIDENT	MR H SMALLMAN
VICE PRESIDENT	MR H CAIRNEY
MINUTE SECRETARY	MR J ANDERSON

DIRECTORS

MR I BAILEY, MR R BROWN, MR J GILCHRIST, MR J HILL, MRS M HUME, MR D JAMIESON, MRS C KERR, MR T McKNIGHT, MR D PATERSON, MR J WATSON, MISS A WILLIAMSON

MANAGEMENT EXECUTIVE

CHIEF EXECUTIVE OFFICER	JOHN BRODIE
HEAD OF CORPORATE COMMUNICATIONS	MALCOLM BROWN
CHIEF FINANCIAL OFFICER & SECRETARY	JOHN DALLEY
HEAD OF PROPERTY & DEVELOPMENT SERVICES	ADRIAN LORIMER
HEAD OF HUMAN RESOURCES	STEVE McDONALD
CHIEF OPERATING OFFICER	COLIN McLEAN

ADVISORS AND REGISTERED OFFICE

AUDITORS	DELOITTE LLP
BANKERS	ROYAL BANK OF SCOTLAND PLC
SOLICITORS	ANDERSON STRATHERN WS
REGISTERED OFFICE	HILLWOOD HOUSE, 2 HARVEST DRIVE, NEWBRIDGE, EH28 8QJ

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DIRECTORS' REPORT

The Directors of Scottish Midland Co-operative Society present their Annual Report to members for the year ended 31 January 2009

> “IT IS THEREFORE PARTICULARLY PLEASING THAT, 150 YEARS ON FROM THOSE BRAVE CO-OPERATIVE PIONEERS IN EDINBURGH, WE FIND OURSELVES IN SUCH A HEALTHY CONDITION.”

OVERVIEW

Scotmid was formed from the merger of a number of local co-ops including St Cuthbert's Co-operative which was founded in the centre of Edinburgh in 1859. As we move into 2009 and celebrate our 150th anniversary, it is pleasing to report a strong set of results for the 53 week period to 31 January 2009. The continued improvement in trading results gives a firm base to help manage the Society through the current challenging economic environment, recognising the need to brace ourselves for a tough year ahead.

In the past 12 months Scotmid successfully implemented a strategy focussed on 'raising the bar' – improving the way the business is run at every level. This strategy has helped deliver an operating surplus before exceptionals of £9.2m compared to £6.7m last year.

All the Society's trading divisions made good progress growing their profitability and contributed to the overall result. In particular, semichem built on the momentum of last year, with its strong value proposition increasingly appreciated by customers in the current price-sensitive market.

With the improved trading performance and exceptional income from the Joint Venture at our former head office in Fountainbridge, the Society increased its bottom line surplus with post-tax profits of £6.5m compared to £1.0m last year.

During the year the Society sold M&S Toiletries, our wholesale health & beauty business. This strategic disposal enabled more focus on core activities in the short term, and provides a solid platform to deliver the long term plans of the Society. Our results excluding the impact of M&S Toiletries show that, on a "continuing" basis, Society turnover increased by £22m to £333m and operating surplus improved 63% from £5.3m to £8.7m.

The Society continues to enjoy the benefit of a strong balance sheet with net assets at the year-end of £90.1m compared to £95.9m last year. This includes the impact of a 16% reduction in the valuation of our property portfolio, reflecting the testing conditions in the wider property market.

This has been a difficult year for many British businesses and organisations with the disappearance of so many well-known High Street names. It is therefore particularly pleasing that, 150 years on from those brave co-operative pioneers in Edinburgh, we find ourselves in such a healthy condition. However, there can be no room for complacency. We are already bracing ourselves for a tough year ahead – but we do so from a position of strength.

FOOD RETAIL

Our Scotmid and Morning Noon & Night convenience stores continued to make good progress in the year. In a challenging retail environment, customers have continued to appreciate the value and friendly service offered by their local convenience store. Sales growth in comparable stores was underpinned by further improvements in the customer shopping experience. The ongoing focus on the availability of key lines has been a driver of growth, supported by improved management information. Range improvements in fresh chilled products have added to this growth. In common with other food retailers, we have also seen growth through the impact of price increases in basic foodstuffs such as meat, milk and bread.

The programme of capital investment in the Food estate has now entered its second year, with 24 stores refitted in the new format in 2008/09. Refitted stores have been well received by customers and this is reflected in the trading performance. We acquired eight new units, including stores in Inverness, Glasgow and Glenrothes which opened within the last six months. This brings the total number of stores trading at the year-end with the new format to 45, over a third of the estate. As part of the process to improve overall estate consistency we have also sold or closed four under-performing branches.

The business has absorbed significant cost increases relating to the new process for the renewal of alcohol licences in Scotland. The general weight of legislation is an increasing burden and the potential new Scottish Government legislation on alcohol and tobacco will present a number of challenges both for our staff and customers. During the year we introduced a "Think 25" policy into our Food stores as part of our ongoing commitment to responsible retailing. Our leading position as a responsible retailer in the convenience sector was acknowledged at the 2009 Scottish Grocer Awards when we received the coveted Social Responsibility Award for the second year in a row.

"CUSTOMERS HAVE CONTINUED TO APPRECIATE THE VALUE AND FRIENDLY SERVICE OFFERED BY THEIR LOCAL CONVENIENCE STORE."

semichem

Semichem's discount household, health and beauty proposition was well received by customers in 2008/09. With a clearly defined range of branded products the business built on the momentum of last year, delivering excellent sales and profit growth.

> "THE POSITIVE MOMENTUM OF THE BUSINESS WAS FURTHER ENHANCED BY THE OPENING OF TEN NEW STORES"

The success in driving sales was helped by market factors, as the recessionary environment made customers increasingly price conscious and the strong Euro impacted favourably on cross border trade in Northern Ireland. Further improvements in the core proposition also contributed to growth with categories such as Household performing strongly and the implementation of improvements in our Food range driving footfall. The Christmas period saw record sales days for the business, driven by strong deals on contemporary fragrance brands and successful extensions of our seasonal range.

The positive momentum of the business was further enhanced by the opening of ten new stores in the year, with plans for further new openings in 2009/10 as part of our growth strategy. The strategy also includes the rebadging of existing stores with a contemporary brand image and supporting promotional mechanics. A new semichem website (www.semichem.co.uk) was launched in October. Our on-line offer has initially concentrated on a targeted range of competitively priced Fine Fragrance and Health & Beauty products. Our customer base continues to grow and we have plans to extend our on-line product offer to other semichem categories during 2009.

Overall, semichem produced an exceptional performance in the past year and reinforced its position as a major High Street discounter in both Scotland and Northern Ireland.

PROPERTY & DEVELOPMENT

Despite the increasingly tough economic conditions, rental income from Scotmid's investment properties was robust during the year, showing encouraging growth. The Society's residential properties benefited from a historically low level of voids, assisted by the lack of activity in the owner-occupied market with the shortage of available mortgage finance. Commercial property income grew, as the benefit of rent reviews and the full year impact of new tenants (acquired before the economic slowdown) offset the rental loss from a limited number of tenant insolvencies. Although we have a well balanced portfolio, there is no significant new property income due to come on stream in 2009 so the opportunity for growth in property profits next year will be limited.

The year-end valuation of the Society's investment portfolio showed a £12m reduction on last year. This represents a 16% like for like fall which is less than market equivalent indices, reflecting the relatively well balanced and defensive nature of our portfolio.

It is pleasing to report that our Joint Venture at the Society's former Head Office in Fountainbridge, Edinburgh is substantially complete. The success of this award-winning development now renamed Lochrin Square has provided the Society with £2.9m of exceptional income this year in addition to the £1m received last year.

To secure longer term property growth for the Society, work continues on the construction of 20,000 sq ft of new offices adjacent to the Society's Head Office at Newbridge and planning approval has been granted to construct 18 new flats on Society-owned land in Bathgate.

FUNERALS

Funeral division results were impacted by the declining death rate and comparison with a strong performance last year. However, with a good performance in the final quarter of the year and tight control of costs throughout the year, our funeral business delivered growth in profitability.

In December we opened a new Scotmid Funeral home in Armadale, West Lothian. The town has a strong co-operative heritage and we are pleased to offer this additional service to our Armadale members. Dundas Fyfe in Motherwell and Thomas Brown in Broxburn have both benefited from new signage and we continue to build on their established reputations within their communities.

Our new Head of Funerals took up the position in December and brings a wealth of experience to the business.

CORPORATE MATTERS & CENTRAL SERVICE DEPARTMENTS

On 8 September 2008 we sold the M&S Toiletries business to SERT UK, a leading UK wholesale business based in Nottingham. We originally acquired the company in 2003. This year the business performed well up to the point of disposal as it benefited from new customer gains and the liquidation of a direct competitor. This consistent performance, together with the synergistic benefits SERT can deliver as a complementary wholesale business, enabled the Society to realise a good price for the business and a profit on sale of £0.4m. The cash proceeds of approximately £10m from the sale of the assets have been used to reduce debt and to reinvest in our core businesses. Scotmid support teams worked closely with SERT UK to ensure a seamless transition of ownership.

The Society's final salary pension scheme has been impacted by the volatile markets in 2008/09. Despite the Society making an extra contribution of £1.45m in the year, the net deficit measured on an FRS17 basis only reduced by £0.6m to £8.1m. A deficit recovery plan has been agreed with the pension fund trustees, based on the latest actuarial valuation at January 2008, which will see the Society contributing an average of £1.7m per annum for the next 9 years.

The central support teams continue to play a key role in helping the Society deliver improved performance. Our Human Resources Department worked closely with Retail colleagues to enhance training and improve overall performance and service. This includes a new "Route to Excellence" intranet site launched in early January, giving store managers guidance on best practice processes and procedures. Plans have also been agreed for the new Training Academy to be housed in our head office at Newbridge.

Work to upgrade our IT infrastructure continued, with our central computer servers moved onto a new "virtualised environment" and the network links to stores changed from ISDN to broadband. These developments have provided the Society with increased speed of card authorisation and a strong platform to support business information needs in a period of growth.

Following a review of Secretarial support for the Society and Board, Shirley MacGillivray was appointed as the Deputy Secretary on 2 February 2009. There were also a number of changes to the Board and committees during the year. In particular, as a result of two Director resignations and the democratic issues arising, the Society has responded positively by instigating a constitutional review. Details of the Director and committee changes together with number of meetings attended are provided on pages 43 and 44.

MEMBERSHIP DEVELOPMENT

Our Membership Strategy has now completed pilot Phases 1 and 2, attracting over 3,000 new members. The new membership Jigsaw branding and its associated marketing activity will now be rolled out across all our Food stores.

Another two editions of the popular Jigsaw magazine have been mailed out to 43,000 members. The last edition included the most comprehensive questionnaire ever, asking members what they want from membership. We received nearly 1,500 replies and the results will be announced shortly.

The Society is currently in the process of reviewing its membership and democratic structures as part of the Constitutional Review approved by members at the OGM in October 2008. The aim is to create a democratic structure fit for the 21st Century and will cover areas including member democracy, member relation committees, area committees, member communication and support.

COMMUNITY & CHARITABLE ACTIVITIES

Community activity has been carried out in many of the communities where we are located. A real success story involving our members, customers and staff has been our charity of the year – Marie Curie – with a record total of around £190,000 raised.

This year, to celebrate our 150th anniversary, we are working with five charities – Cystic Fibrosis; Clic Sargent; Leukaemia Research; Cash for Kids and Alzheimer's.

Activity has included major support for Fairtrade Fortnight, The Ethical Christmas Fayre, health promotion in schools throughout Scotland and a 'tour' for our recently purchased smoothie bike which became a star turn at a range of diverse locations including Real Radio and Saughton prison.

POLITICAL DONATIONS

Donations to the Co-operative Party amounted to £11,914. A donation of £20,000 was made to the Scottish Midland Co-operative Party Council.

APPRECIATION

The Directors would like to thank our members, customers and staff for their contribution to this record year. In these turbulent times, it is thanks to the commitment and dedication of all our stakeholders that the Society can move into its 150th year, committed to "continuous improvement" and many more years as an independent Scottish society.

Signed on behalf of the Directors
Hollis Smallman - President
Harry Cairney - Vice President

30 March 2009

GROUP FIVE YEAR SUMMARY

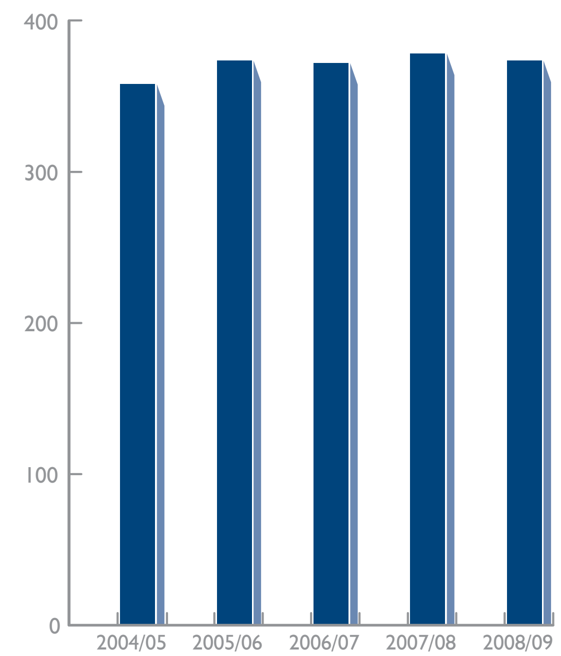
	2008-09 53 weeks	2007-08 52 weeks	2006-07 52 weeks	2005-06 52 weeks	2004-05 52 weeks restated*
number of members	238,791	237,176	235,819	235,739	234,885
	£000	£000	£000	£000	£000
turnover	374,304	377,737	371,199	373,960	356,727
operating surplus before exceptionals	9,235	6,698	3,513	1,078	6,966
operating surplus/(loss) after exceptionals	11,924	6,219	2,325	(19,874)	2,767
surplus/(loss) before tax	9,085	3,016	114	(22,751)	3,178
retained surplus/(loss)	6,501	1,047	(1,640)	(19,080)	2,383
depreciation	7,333	7,246	7,482	7,397	6,351
net finance costs	2,231	2,720	3,160	3,559	3,080
purchase of fixed assets	14,854	7,793	3,753	15,659	12,540
fixed assets	136,622	142,367	143,366	152,274	152,354
net current liabilities	(17,477)	(2,593)	(2,680)	(17,639)	(2,049)
total assets less current liabilities	119,145	139,774	140,686	134,635	150,305
less long term liabilities	19,723	33,230	38,630	38,314	43,140
less provision for liabilities and charges	1,172	1,826	2,638	3,101	3,391
less pension liability	8,140	8,775	7,514	9,774	6,653
net assets	90,110	95,943	91,904	83,446	97,121
share capital	5,021	5,015	4,952	4,874	4,753
revenue reserves	54,420	48,163	44,861	35,024	55,640
revaluation reserve	30,669	42,765	42,091	43,548	36,728
	90,110	95,943	91,904	83,446	97,121

*The group revenue account for the year ended 29 January 2005 has been restated to reflect the adoption of FRS17 "Retirement Benefits"

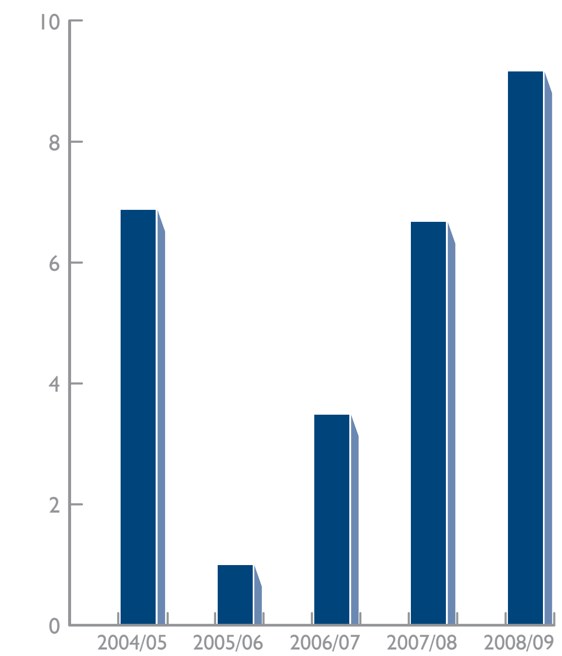
GROUP FIVE YEAR SUMMARY

CONTINUED

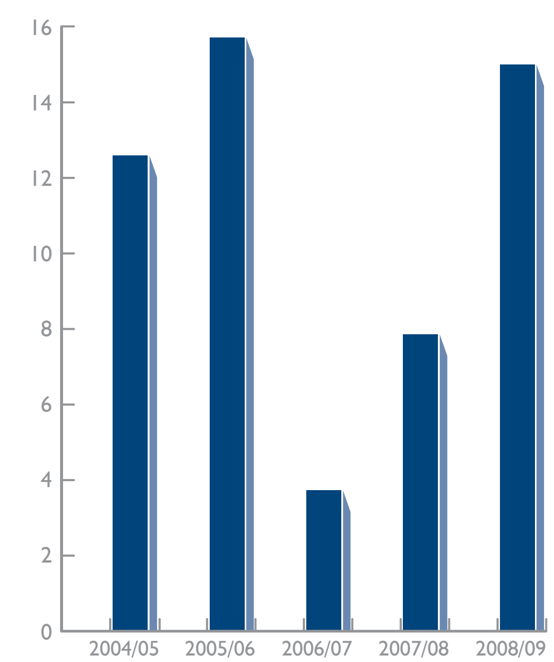
TURNOVER (£ MILLIONS)



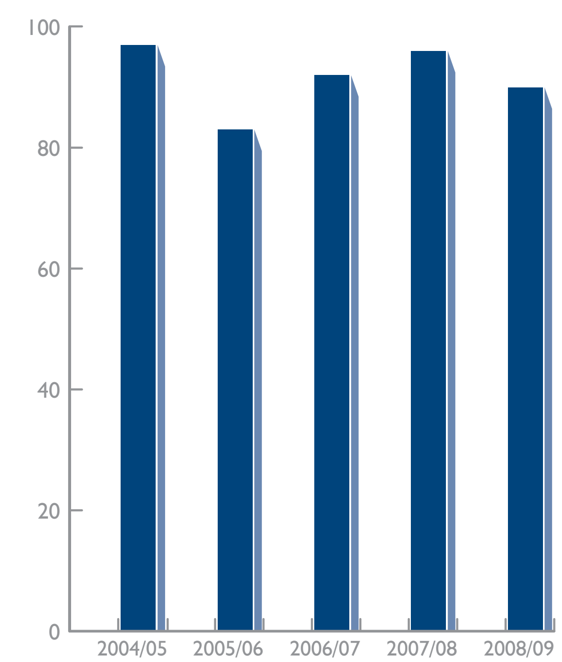
OPERATING SURPLUS BEFORE EXCEPTIONALS (£ MILLIONS)



PURCHASE OF FIXED ASSETS (£ MILLIONS)



NET WORTH (£ MILLIONS)



DIRECTORS' RESPONSIBILITIES ON CORPORATE GOVERNANCE

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

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

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

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 4 to 12. 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). At 31 January 2009, the Society had undrawn headroom in its overdraft facility of £9m and had significant headroom with respect to the financial covenants of these facilities. In addition to the annual renewal of the overdraft facility on 31 July 2009, the Society has £8m of term loans due for repayment at that date. The Directors consider that the Society has the flexibility to react to changing market conditions as a substantial proportion of the Society's planned expenditure in 2009/10 is discretionary and can be reduced or increased in line with the needs of the business. In addition, the Society's headroom and cash flows are monitored on a regular basis in order that any necessary actions can be taken at an early stage. As a consequence, the Directors believe that the Society is well placed to manage its business risks successfully despite the uncertain economic outlook.

The Society will open formal renewal negotiations with the bank in due course but has held preliminary discussions with its bankers about its future borrowing needs and no matters have been drawn to our attention to suggest that renewal will not be forthcoming on acceptable terms and, specifically, that the repayment date for the £8m term loan will not be extended as anticipated. Assuming an extension is forthcoming, the Society's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Society should be able to operate within the level of its current facility.

Therefore, after 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.

CODE OF BEST PRACTICE

The Society substantially complies with the Co-operatives UK Corporate Governance Code of Best Practice (updated in May 2005). In reviewing the detailed recommendations of the Code, the Board has identified four points where it believes that the Society is better served by maintaining the Society's existing rules and practices:

1) Age Rule: maintain the existing age rule of 70 for retirement of Directors rather than adopt the model rule (age 68);

2) Percentage of Employee Directors on the Board where the existing rule is more restrictive than the recommended rule;

3) Interim Accounts: interim accounts are published but not audited;

4) Co-opted Directors: the Board has decided not to make use of co-opted professional directors because it feels that it is better served by seeking external advice on an issue-by-issue basis rather than receiving ongoing general advice from expert directors that have not been democratically elected by the membership.

In each case the Board has satisfied itself that the Society complies with the spirit of the Code. As noted on page 17, due to a number of changes in its composition during the year, the Audit Committee temporarily fell short of the Code requirement for the minimum of three members and this was rectified as soon as practical.

DIRECTORS' RESPONSIBILITIES ON CORPORATE GOVERNANCE

CONTINUED

THE MEMBERS

Co-operatives are member owned democratic organisations and the Board has recognised the need to encourage members to play their part in the governance of the Society and to improve membership participation with the launch of the Membership Strategy last year. An update on progress made so far on implementation of the Strategy and membership development activities is provided in the Directors' report. Other member related information is provided in the section on Corporate Social Responsibility.

MEMBERS' MEETINGS

Members' meetings are advertised on our website and in the local press and are held in two locations. The Board of the Society consists of 15 Directors drawn from the two Area Committees. There are normally 32 committee members in total. Committee members are elected at public meetings from Society members who meet the minimum share qualification level. Each committee member is voted onto the committee for one to three years and they have to be re-elected to retain their position at the end of the prescribed period. Details of meetings attended are given on pages 43 and 44 of the report.

BOARD'S ROLE

Directors' responsibilities are set out in the Society Rules which are available to all members. Any changes to the rules must be agreed by a majority vote at a members' meeting. One Board member is employed by the Society and four are retired former employees of the Society.

INTERNAL CONTROL FRAMEWORK

The Board is ultimately responsible for the Society's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Co-operatives UK Corporate Governance Code of Best Practice introduced a requirement that the Directors review the effectiveness of the Society's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management and has become known as the Turnbull guidance.

Key elements in the Society's adopted internal control framework are detailed as follows. These are considered to be appropriate to the current size of the business.

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. Lines of responsibility and delegations of authority are documented.

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.

DIRECTORS' RESPONSIBILITIES ON CORPORATE GOVERNANCE

CONTINUED

BOARD COMMITTEES

There are four Board committees (Audit, Risk, Remuneration and Search) with terms of reference recommended in the Code. A General Purposes Committee has also been formed to provide a forum for addressing matters not specified in the terms of reference of the above committees.

CONSTITUTIONAL REVIEW

A sub-committee of the General Purposes Committee is currently involved in a constitutional review. This aims to ensure that the Board structure and Society rules are fit to meet the challenges of society today, building on our strengths but also looking at areas where we need to improve. As part of our drive for continuous improvement, the Board decided that the time is right to review the Society's rules to ensure we have a constitution which is fit to help drive a successful long term future.

AUDIT

The Society has an Internal Audit department reporting directly to the Chief Executive to encourage the greatest degree of independence. An annual report of the Internal Audit department has been produced for the year 2008/09 and an audit plan for 2009/10 has been agreed with the Audit Committee. Any control weaknesses identified are highlighted to management and to the Audit Committee, which monitors Internal Audit activity and ensures that appropriate actions are taken.

The Audit Committee of the Board normally comprises of four Directors and is chaired by a member who is not the President of the Society. The Committee is scheduled to meet at least biannually.

The terms of reference have been agreed by the Board and include:

- Consideration of the appointment of the external auditor and the scope of the audit;
- Review of the financial statements and auditors' management letter; and
- Review of the internal audit programme and internal audit reports.

The Chair of the Audit Committee reports the outcome of the Audit Committee meetings to the Board, and the Board receives the minutes of the Audit Committee meetings. The Chair of the Audit Committee sits on the Risk Committee to provide a link between the two. The key executive risks faced by the Society are presented to the Audit Committee annually. Following the resignation of a Director from the Board on 16th January 2009, the Audit Committee was temporarily reduced to only two members. There were no Audit Committee meetings scheduled during this temporary period and two new members were appointed on 26th February 2009.

The Audit Committee has established a policy of rotating the audit partner every five years. The external audit contract was last put out to tender in 2006.

Any non-audit services to be carried out by the incumbent auditor exceeding a pre-set limit must be referred to the Audit Committee for approval.

RISK MANAGEMENT

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 catastrophe and regulatory requirements. Risk registers are maintained which highlight the likelihood and impact of the risks occurring. These registers are updated at least twice a year and actions necessary to mitigate the risks are considered. This process enables resource to be focussed on key risk areas, helping to prioritise activities. A Risk Committee is in place, consisting of four Directors who review, biannually, the risks facing the Society to determine if adequate controls are in place. The Risk Committee reports to the Board and annually to the Audit Committee on the risks facing the Society.

The Risk Committee is also responsible for ensuring the Society has an effective whistleblowing process to allow employees to raise concerns in confidence.

DIRECTORS' RESPONSIBILITIES ON CORPORATE GOVERNANCE

CONTINUED

REMUNERATION

The Board determines executive remuneration annually on the recommendation of the Remuneration Committee, which consists of four directors, none of whom are employees, recently retired employees or the President of the Society. External advice is sought by the Remuneration Committee to ensure that the remuneration is appropriate to the scale and scope of the business. Advice is currently obtained from an independent advisor "mflhr". The Remuneration Committee is also responsible for making recommendations to the Board for the level of Directors' remuneration and expenses. Note 2 to the financial statements gives details of the remuneration of Directors and the Management Executive. The salary information in the bandings in Note 2 provides appropriate disclosure of Board and Management Executive remuneration for the Society although not in the format recommended in Co-operatives UK's best practice.

The PRP 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 as follows:

1) Annual Incentive Scheme

All members of the Management Executive are eligible to participate in an annual performance-related bonus scheme. The Committee reviews bonus targets and levels of eligibility annually. There is a maximum bonus potential of 50% of base salary for exceeding targets determined by the Board. For Management Executive members with trading unit responsibilities, a significant proportion of the annual incentive is derived from trading unit performance. Targets in the bonus year 2008/09 related to financial performance, measured by Society profit and divisional trading profit, as appropriate to the individual's area of responsibility. A discretionary element, based on personal objectives, is also included within the annual bonus scheme, and is part of the maximum bonus potential.

2) Long-Term Incentive Plan (LTIP)

An LTIP was also introduced in 2007/08 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. Performance against these targets will be reviewed each year by the committee and targets for subsequent three-year periods will then be set. 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 is responsible for establishing a process to review Board skills, the balance and effectiveness of the Board and Director succession planning. The Committee of five Directors is also responsible for membership development.

During the year the Committee implemented a new training programme based on the output from a review of Board and Area Committee skills undertaken last year. The main additional features of the new training programme were 1) improved accessibility, by providing courses midweek as well as at the weekend 2) enhanced feedback and assessment, and 3) shorter, more focussed courses. The Committee has conducted a review of the 2008/09 training programme and plans some further enhancements for 2009/10, building on the success of last year's plan.

The Board Skills process includes a self-assessment of Board performance carried out within a Board meeting. In addition, an external assessment of the collective performance of the Board was completed during the year. Feedback from this was used to tailor the training programme for next year.

The outcome of the review of Secretarial support was the creation of the role of Deputy Secretary to support the Society Secretary and Board. The new Deputy Secretary took up her position on 2 February 2009.

The Committee continues to monitor the progress of the new Membership Strategy. The results from membership trial stores have continued to be encouraging and a report on progress so far is included in the Directors' Report.

For and on behalf of the Board
Hollis Smallman - President
John Brodie - Chief Executive Officer
John Dalley - Secretary

CORPORATE SOCIAL RESPONSIBILITY

As a socially responsible co-operative we report on our performance against the 10 Key Social and Co-operative Performance Indicators recommended by Co-operatives UK. Given the diverse nature of the Society's operations, these measures are not always readily available or the most relevant measures for all our individual businesses. To overcome this we have used sample information compiled via surveys or used information from our largest business (Food).

MEMBER ECONOMIC INVOLVEMENT

An exit survey was conducted in eight stores to determine an estimate of our member economic involvement. The survey was conducted by an independent agency (Harris International). Based on the sample selected, member involvement as a percentage of sales was 9% (2007/08 - 6%). This increase can be attributed to membership drive activity carried out in selected stores.

MEMBER DEMOCRATIC PARTICIPATION

106 (2007/08 - 127) members attended the Annual General Meeting on 5 May 2008. 101 (2007/08 - 105) attended the Ordinary General Meeting on 6 October 2008. There were no contested elections during the year ended 31 January 2009.

STAFF AND MEMBER TRAINING

This year around 40,400 hours (2007/08 - 28,300) of formal staff training took place, an average of 10.1 hours per employee (2007/08 - 7.1). During the year we continued our programme of in-store e-learning and the total above includes an estimate of 9,600 hours delivered by this method.

A new programme of training for active members was implemented in the year. As a result training hours returned to more normal levels following the temporary reduction last year. Members actively participated in a total of 550 hours of training compared to last year's total of 170. This equates to 5.2 hours (2007/08 - 1.3 hours) of training per "active" member (where active membership for training purposes has been defined as the number of members attending the AGM).

STAFF INJURY AND ABSENTEE RATES

Staff injury and absentee rates provide the Society with an indication of how well we control the risks to the health, safety and wellbeing of our employees. Staff are encouraged to report all accidents, no matter how minor, and these are recorded to ensure that safety standards are maintained and continuously improved. This year we had 20 (2007/08 - 16) reportable accidents equating to 0.5% (2007/08 - 0.4%) of the average total workforce. There were also 160 minor injuries (2007/08 - 103), which equates to 4.1% of the average total workforce. This gives a combined total of 4.6% (2007/08 - 3%).

This year 19,470 days were lost through absenteeism (2007/08 - 22,820), an average of 4.9 days per employee. This compares to a Scotmid average of 5.5 days last year and a Scottish national average of 6.8 days (CBI/AXA absence and labour turnover published 14 May 2008).

STAFF PROFILE

Scotmid had an average of 3,887 employees in 2008/09 compared to 4,005 in 2007/08. The staff profile by gender at the year-end was 73% female (2007/08 - 71%) and 27% male (2007/08 - 29%). Our staff profile by ethnicity is based on a sample of the workforce that responded to a 2006 survey, adjusted for subsequent starters and leavers in 2007/08 and 2008/09.

ETHNIC ORIGIN	% OF WORKFORCE
ASIAN	2.6
BLACK	0.4
MIXED	0.3
OTHER	0.6
WHITE	96.1
TOTAL	100.0

To put this in context the 2001 census shows 98% as the proportion from a white ethnic background in the total population of Scotland. We also asked for disability status and found that 1% of staff surveyed classify themselves as disabled.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

CUSTOMER SATISFACTION

The Co-operative UK's definition of customer satisfaction has now been included in our regular customer surveys conducted by Harris International. In the course of their independent survey, Harris carried out 550 shopper interviews in a sample of 50 of our stores across our trading area. The survey was conducted between February and April 2008. The proportion of shoppers classified as very satisfied was 87% (2007/08 - 86%), and as satisfied was 94% (2007/08 - 92%). These levels of satisfaction are showing improvement and match or exceed the Co-operative average in the Harris International Convenience Tracking Programme 2008.

ETHICAL PROCUREMENT

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

INVESTMENT IN COMMUNITY & CO-OPERATIVE INITIATIVES

A total of £222,000 (2007/08 - £185,000) was spent on investment in both community and co-operative initiatives, amounting to 2.4% of our pre-tax profit. Examples of projects benefiting from our investment in the community are provided in the Directors' Report.

The Society's nominated charity for the last eighteen months was Marie Curie. Several fund-raising events by Scotmid's staff and members helped raise a total of over £190,000 for the cancer care charity.

THE ENVIRONMENT

Carbon Dioxide (CO_2) emissions are produced as a direct result of burning fossil fuels. For the year ended 31 January 2009 the Society produced an estimated 3,320 tonnes of CO_2 from on-site operations (2007/08 - estimate 3,450 tonnes of CO_2). The estimate includes the CO_2 generated from internal transport and equates to 0.85 tonnes of CO_2 per employee (2007/08 - 0.86 tonnes).

Our carbon footprint for electricity is neutral as all electricity is sourced from pure green renewable energy sources. In the year we continued to focus on energy reduction as part of the store refurbishment programme and we are starting to benefit from the use of electrical smart meters to better manage our electricity usage.

PROPORTION OF WASTE RECYCLED/REUSED

Our waste uplift amounted to 2,973 tonnes. CRTG vehicles collect cardboard from our Food outlets for recycling and have provided a percentage of the total amount of recycled waste attributable to Scotmid. As a result we estimate that we have recycled 1,670 tonnes of cardboard and 64 tonnes of plastic. These figures indicate that the proportion of waste recycled is in the region of 37% (2007/08 was 36% calculated on a comparable basis).

INDEPENDENT AUDITORS' REPORT TO SCOTTISH MIDLAND CO-OPERATIVE SOCIETY LIMITED

We have audited the financial statements of Scottish Midland Co-operative Society Limited for the 53 weeks ended 31 January 2009 which comprise the statement of accounting policies, the group revenue account, the group statement of total recognised gains and losses, the group note of historical cost profits and losses, the group balance sheet, the group cash flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Society, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society those matters we are required to state to them in an auditors' 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 as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002.

We also report if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Society has not kept proper accounting records, if a satisfactory system of control over transactions has not been maintained, or if we have not received all the information and explanations we require for our audit.

We review whether the Society's statement on the Code of Best Practice reflects the Society's compliance with the five provisions of the Co-operatives UK Corporate Governance Code of Best Practice (updated in May 2005) specified for our review, and we report if it does not. We are not required to consider whether the Society's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Society's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Society's affairs as at 31 January 2009 and of its surplus for the period then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002.

Deloitte LLP
Chartered Accountants
and Registered Auditors
Edinburgh, UK
30 March 2009

STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts are prepared under the historical cost accounting convention as modified by the annual revaluation of investment properties, and under applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently throughout the current and preceding year. The Society's business activities, together with the factors likely to affect its future prospects, are discussed in the Directors' Report on pages 4 to 12. After making enquiries, the Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

ACCOUNTING DATE

The accounts are prepared for the 53 weeks to 31 January 2009 (2007/08 - 52 weeks to 26 January 2008).

TURNOVER

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

INVESTMENTS

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

INVESTMENT INCOME

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

GOODWILL

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

TANGIBLE FIXED ASSETS AND DEPRECIATION

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

Buildings - 40 years.

Plant, transport and fixtures -
between 3 and 10 years.

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

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 are recorded as liabilities, while the finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding. The costs of operating leases are charged to the revenue account as they accrue.

ASSETS LEASED BY THE SOCIETY

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

CAPITALISATION OF INTEREST

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

STATEMENT OF ACCOUNTING POLICIES
CONTINUED

STOCKS

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

DEBTORS

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

CONSOLIDATED FINANCIAL STATEMENTS

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

DERIVATIVES

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

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

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

TAXATION

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

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

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

PENSION COSTS

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

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

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

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

SHARE BASED PAYMENT

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

GROUP REVENUE ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2009

		2008-09 (53 weeks)			2007-08 (52 weeks) as restated *		
	notes	continuing	discontinued	total	continuing	discontinued	total
		£000	£000	£000	£000	£000	£000
turnover		332,725	41,579	374,304	310,756	66,981	377,737
value added tax		(31,975)	(5,888)	(37,863)	(30,582)	(9,487)	(40,069)
sales		300,750	35,691	336,441	280,174	57,494	337,668
cost of sales		(204,614)	(30,679)	(235,293)	(191,779)	(48,801)	(240,580)
gross profit		96,136	5,012	101,148	88,395	8,693	97,088
net expenses	1	(87,469)	(4,444)	(91,913)	(84,677)	(7,306)	(91,983)
operating surplus		8,667	568	9,235	3,718	1,387	5,105
operating surplus excluding exceptional expenses		8,667	568	9,235	5,311	1,387	6,698
exceptional operating expenses		-	-	-	(1,593)	-	(1,593)
operating surplus		8,667	568	9,235	3,718	1,387	5,105
surplus on disposal of division	3,18	-	407	407	-	-	-
share of joint venture operating surplus	3	2,857	-	2,857	1,000	-	1,000
(loss)/surplus on disposal of fixed assets	3	(575)	-	(575)	114	-	114
surplus before finance charges		10,949	975	11,924	4,832	1,387	6,219
net finance charges	4			(2,231)			(2,720)
surplus for year before distributions				9,693			3,499
distributions							
share interest				(187)			(184)
grants/donations	5			(421)			(299)
surplus for the year before taxation				9,085			3,016
taxation	6			(2,584)			(1,969)
surplus for the year	16			6,501			1,047

As restated* - to report separately the results of the discontinued activities, being the M&S Toiletries division sold on 8 September 2008.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 JANUARY 2009

	2008-09 (53 weeks) £000	2007-08 (52 weeks) £000
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
surplus for year	6,501	1,047
actuarial gain/(loss) relating to the pension scheme	11	(1,399)
movement in deferred tax on pension deficit	(248)	176
unrealised (loss)/gain on investment properties revaluation	(12,103)	4,152
total (losses)/gains recognised since last annual report	(5,839)	3,976
GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES		
surplus for year before taxation	9,085	3,016
realisation of property revaluation (losses)/gains of earlier years	(7)	3,478
historical cost surplus for year before taxation	9,078	6,494
historical cost surplus for year after taxation	6,494	4,525

GROUP BALANCE SHEET AS AT 31 JANUARY 2009

	notes	2008-09 £000	2008-09 £000	2007-08 £000	2007-08 £000
fixed assets					
intangible assets	7		13,635		13,366
tangible assets	8		121,705		127,694
investments	9		1,282		1,307
			136,622		142,367
current assets					
stocks - goods for resale		21,273		24,577	
debtors and prepayments	10	6,461		14,716	
cash at bank and in hand		3,830		6,198	
		31,564		45,491	
current liabilities					
amounts falling due within one year					
bank overdraft (secured)		(1,038)		-	
creditors	11	(48,003)		(48,084)	
		(49,041)		(48,084)	
net current liabilities			(17,477)		(2,593)
total assets less current liabilities			119,145		139,774
long term liabilities					
amounts falling due after more than one year					
creditors	12	(19,723)		(33,230)	
			(19,723)		(33,230)
provisions for liabilities					
deferred taxation	14	(862)		(1,334)	
other provisions		(310)		(492)	
			(1,172)		(1,826)
net assets excluding pension liability			98,250		104,718
pension liability	20		(8,140)		(8,775)
net assets			90,110		95,943
financed by					
share capital	15		5,021		5,015
reserves	16		85,089		90,928
shareholders' funds	17		90,110		95,943

On behalf of the board of directors

Hollis Smallman President
Harry Cairney Vice President
John Dalley Secretary

30 March 2009

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2009

	notes	2008-09 (53 weeks) £000	2008-09 (53 weeks) £000	2007-08 (52 weeks) £000	2007-08 (52 weeks) £000
net cash inflow from operating activities	21		11,794		14,258
dividends from joint ventures and associates					
dividends from joint venture			2,857		1,000
returns on investment and servicing of finance					
interest and dividends received		348		101	
interest paid		(2,063)		(2,656)	
share interest paid, grants and donations		(608)		(483)	
net cash outflow from returns on investment and servicing of finance			(2,323)		(3,038)
taxation					
corporation tax paid			(2,752)		(1,796)
capital expenditure and financial investment					
sale of fixed asset investments		1		2	
receipts from sales of tangible fixed assets		879		5,210	
payments to acquire tangible fixed assets		(14,854)		(7,793)	
			(13,974)		(2,581)
acquisitions and disposals					
disposal of division		9,269		-	
acquisitions		(1,513)		(474)	
			7,756		(474)
net cash inflow before financing			3,358		7,369
financing					
bank loans advanced		1,500		500	
repayment of bank loans		(6,250)		(4,846)	
members share capital issued net of withdrawals		6		63	
repayment of finance leases		(2,044)		(2,530)	
repayment of interest in joint venture		24		19	
net cash outflow from financing			(6,764)		(6,794)
(decrease)/increase in cash	22		(3,406)		575

NOTES TO THE GROUP ACCOUNTS

1. net expenses

		2008-09 continuing £000	2008-09 discontinued* £000	2008-09 total £000	2007-08 as restated * continuing £000	2007-08 as restated * discontinued £000	2007-08 as restated * total £000
personnel costs		40,579	2,335	42,914	38,098	4,101	42,199
occupancy costs (excluding depreciation)		15,361	650	16,011	14,692	1,053	15,745
depreciation of owned assets		5,503	74	5,577	5,138	129	5,267
depreciation of assets held under finance leases		1,745	11	1,756	1,948	31	1,979
amortisation of goodwill		823	-	823	836	-	836
operating lease rentals - equipment and vehicles		302	293	595	323	465	788
fees - directors and committee members		148	-	148	150	-	150
expenses and delegations - directors and committee members		81	-	81	75	-	75
auditors' remuneration		73	-	73	75	-	75
other expenses		22,854	1,081	23,935	21,749	1,527	23,276
		87,469	4,444	91,913	83,084	7,306	90,390
exceptional items - impairment of goodwill				-	190		190
exceptional items - other costs	note 3			-	1,403		1,403
		87,469	4,444	91,913	84,677	7,306	91,983

Included within expenses is £5,943,000 relating to operating lease rentals for land and buildings (2007-08 - £6,055,000).
As restated* - to report separately the results of the discontinued activities.

auditors' remuneration - other services	2008-09 £000	2007-08 £000
tax services	75	11
corporate finance services	121	-
pension scheme audit	4	4
	200	15

2. employees

	2008-09 continuing number	2008-09 discontinued* number	2008-09 total number	2007-08 as restated ** continuing number	2007-08 as restated ** discontinued number	2007-08 as restated ** total number
the average number employed was						
full time	1,049	141	1,190	1,165	141	1,306
part time	2,691	6	2,697	2,693	6	2,699
	3,740	147	3,887	3,858	147	4,005

** average number of employees has been calculated up to date of disposal.

the costs incurred in respect of these employees were	£000	£000	£000	£000	£000	£000
wages and salaries	37,622	2,090	39,712	34,824	3,695	38,519
social security costs	2,317	204	2,521	2,318	334	2,652
other pension costs	640	41	681	956	72	1,028
	40,579	2,335	42,914	38,098	4,101	42,199

2. employees (continued)

directors' emoluments	2008-09	2007-08
	£000	£000
the total remuneration of the directors for their board duties was fees and delegations	132	119

the average number of directors whose emoluments fell into each £2,500 bracket was	number	number
£ 2,501 - £5,000	1	-
£ 5,001 - £7,500	4	11
£ 7,501 - £10,000	8	2
£10,001 - £12,500	-	1
£12,501 - £15,000	1	1
£17,501 - £20,000	1	-
	15	15

management executive emoluments	£000	£000
the total remuneration of the management executive was		
wages & salaries	878	885
taxable benefits	74	75
pension costs	155	154
profit-related pay	299	256
	1,406	1,370

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

	number	number
£ 70,001 - £ 80,000	1	-
£ 90,001 - £100,000	-	1
£100,001 - £110,000	1	1
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-
£160,001 - £170,000	-	1
£190,001 - £200,000	1	-
£260,001 - £270,000	-	1
£270,001 - £280,000	1	-
£390,001 - £400,000	-	1
£410,001 - £420,000	1	-

3. exceptional items

	2008-09	2007-08
	£000	£000
goodwill impairment	-	(190)
re-organisation and other costs	-	(1,403)
surplus on disposal of division	407	-
	407	(1,593)
share of joint venture operating surplus	2,857	1,000
(loss)/surplus on sale of fixed assets	(575)	114
total exceptional items	2,689	(479)

The share of joint venture operating surplus relates to the exceptional surplus on completion of the new office block development at our former Head Office at Fountainbridge.

Exceptional costs in 2007-08 include asset writedowns in respect of the closure of retail stores and the costs of early termination of a trading contract.

4. net finance charges

	2008-09		2007-08	
	£000	£000	£000	£000
interest payable				
bank overdraft and loan	1,905		2,352	
finance leases	116		273	
other interest	42		31	
expected return on pension scheme assets	(2,319)		(2,344)	
interest cost on pension scheme liabilities	2,835		2,509	
		2,579		2,821
less - interest receivable and investment income				
listed investments	1		1	
unlisted investments	88		97	
other interest	259		3	
		348		101
		2,231		2,720

5. grants / donations

	2008-09	2007-08
	£000	£000
member relation activities & education grants	348	235
donations	73	64
	421	299

6. taxation

	2008-09	2007-08
	£000	£000
current taxation		
UK corporation tax charge for the year	2,175	2,206
adjustment in respect of prior years	65	(141)
joint venture	820	300
total current taxation	3,060	2,365
deferred taxation		
origination and reversal of timing differences	(227)	(347)
timing differences FRS17	-	(16)
adjustment in respect of prior years	(251)	57
adjustment due to change of tax rate to 28%	2	(90)
total deferred taxation	(476)	(396)
total taxation charge	2,584	1,969

factors affecting tax charge for the year

	2008-09	2007-08
surplus before tax	9,085	3,016
tax on surplus at standard rate of corporation tax in the UK of 28.33% (2007-08 30%)	2,574	905
factors affecting charge for the year		
expenses not deductible for tax	584	426
capital allowances in excess of depreciation	245	428
movement in short term timing differences	(268)	51
deferred tax on pension schemes	(149)	-
chargeable gains	9	696
adjustments to tax in respect of prior years	65	(141)
current tax charge for the year	3,060	2,365

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

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

7. intangible assets

	£000
goodwill	
cost	
26 January 2008	30,699
additions	1,120
disposals	(222)
reclassification from land & buildings	150
31 January 2009	31,747
amortisation	
26 January 2008	17,333
provided for the year	823
disposals	(44)
31 January 2009	18,112
balance sheet value at 31 January 2009	13,635
balance sheet value at 26 January 2008	13,366

Additions in the year relate to the difference between the consideration paid and the fair value (which is assessed by the Directors as being open market value on the basis of existing use) of assets acquired.

8. tangible fixed assets

	land & buildings £000	investment properties £000	plant transport & fixtures £000	total £000
cost or valuation				
26 January 2008	36,335	73,471	85,877	195,683
additions	856	2,337	11,921	15,114
disposals	(125)	(200)	(5,969)	(6,294)
disposal of division	(99)	-	(2,673)	(2,772)
reclassification	(469)	129	80	(260)
revaluation	-	(12,103)	-	(12,103)
31 January 2009	36,498	63,634	89,236	189,368
depreciation				
26 January 2008	10,331	-	57,658	67,989
provided for the year	823	-	6,510	7,333
disposals	(12)	-	(5,005)	(5,017)
disposal of division	(80)	-	(2,452)	(2,532)
reclassification	(110)	-	-	(110)
31 January 2009	10,952	-	56,711	67,663
balance sheet value at 31 January 2009	25,546	63,634	32,525	121,705
balance sheet value at 26 January 2008	26,004	73,471	28,219	127,694

The net book value of the Society's fixed assets includes £3,500,000 (2007-08 - £5,500,000) in respect of assets held under finance leases. All assets under finance leases are held within plant, transport & fixtures.

Investment properties were valued independently as at 31 January 2009 at open market value on the basis of existing use by D M Hall Chartered Surveyors. The valuation was arrived at on the basis of an inspection and survey of a sample of the Society's total investment properties.

9. fixed asset - investments

	2008-09		2007-08	
	shares £000	loans £000	shares £000	loans £000
unlisted				
C W S Ltd	1,252	-	1,252	-
other I & P Societies	1	-	1	-
others	6	4	6	5
joint ventures	11	-	35	-
	1,270	4	1,294	5
listed				
others	8	-	8	-
	1,278	4	1,302	5
	4		5	
	1,282		1,307	

The market value of the listed investments at 31 January 2009 was £24,000 (2007-08 - £30,000).
During the year £1,000 was received in relation to the repayment of loans (2007-08 - £2,000).

The group has an interest in three joint ventures. The principal activity of these companies is property development and they are incorporated in Great Britain and registered in Scotland.

Scotmid - Miller (South Queensferry) Limited is now a dormant company. The Society's investment in this joint venture represents 50% of the equity share capital at cost as shown below. The Society's investment in Scotmid - Miller (Great Junction Street) Limited and Scotmid - Bett (Fountainbridge) Limited represents 50% of assets in the balance sheets also shown below.

	shares £
Scotmid - Miller (South Queensferry) Limited	50

	Scotmid - Miller (Great Junction Street)		Scotmid - Bett (Fountainbridge)	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
gross assets	28	28	55	255
gross liabilities	(17)	(17)	(55)	(242)
net assets	11	11	-	13
Society loan to joint venture	-	-	-	11
net investment	11	11	-	24

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.

10. debtors and prepayments due within one year

	2008-09	2007-08
	£000	£000
trade debtors	517	7,105
sundry debtors	5,944	7,611
	6,461	14,716

11. creditors falling due within one year

	£000	£000
trade creditors	18,257	21,522
holiday pay	1,005	1,023
VAT	454	1,847
other sundry creditors	1,966	3,540
accrued charges	13,897	13,498
PAYE and social security	704	708
bank loan (see note 12)	9,375	1,625
deferred consideration	-	1,500
obligations under finance leases (see note 12)	1,262	2,044
corporation tax	1,083	777
	48,003	48,084

The deferred consideration of £1,500,000 was repaid on 21 October 2008.
The borrowing facility was drawn down to cover this repayment. This loan will be repayable in more than 5 years.

12. creditors falling due after more than one year

	£000	£000
bank loans	17,875	30,375
obligations under finance leases	300	1,562
other creditors	1,548	1,293
	19,723	33,230

borrowings are repayable as follows:

bank loans		
between one and two years	1,500	14,000
between two and five years	4,500	4,500
after five years	11,875	11,875
	17,875	30,375
on demand or within one year	9,375	1,625
	27,250	32,000
finance leases		
between one and two years	300	1,262
between two and five years	-	300
after five years	-	-
	300	1,562
on demand or within one year	1,262	2,044
	1,562	3,606
total borrowings including finance leases		
between one and two years	1,800	15,262
between two and five years	4,500	4,800
after five years	11,875	11,875
	18,175	31,937
on demand or within one year	10,637	3,669
	28,812	35,606

The above loans are secured by a bond and floating charge over all the assets of the Society.
The finance leases are secured on the assets to which they relate.

13. derivatives

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

	book value		fair value	
	2008-09 £000	2007-08 £000	2008-09 £000	2007-08 £000
derivative financial instruments held to manage interest rates				
interest rate derivatives	-	-	523	(14)

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

14. deferred taxation

	£000
balance at 26 January 2008	1,334
revenue account charge	(472)
balance at 31 January 2009	862

the provision for deferred tax consists of the following amounts	2008-09	2007-08
	£000	£000
capital allowances in excess of depreciation	1,170	1,412
rolled over gains	-	228
lease premium	-	68
other timing differences	(308)	(374)
	862	1,334

15. share capital

	£000	£000
at beginning of year	5,015	4,952
interest	181	179
contributions	145	161
	5,341	5,292
withdrawals	320	277
at end of year	5,021	5,015

(i) share capital comprises 5,021,000 shares of £1 attracting interest at 4%. The interest rate reduced to 2% from 01/02/09.
(ii) shares are withdrawable on periods of notice in accordance with Rule 21, however, the directors retain the right to refuse notice of redemption.
(iii) each member is entitled to one vote.

16. movement on reserves

	revenue reserve	revaluation reserve	total
	£000	£000	£000
at 26 January 2008	48,163	42,765	90,928
surplus for year	6,501	-	6,501
transfer of realised revaluation arising on disposal of properties	(7)	7	-
loss on revaluation of properties	-	(12,103)	(12,103)
actuarial gain relating to the pension fund	11	-	11
movement in deferred tax on pension deficit	(248)	-	(248)
at 31 January 2009	54,420	30,669	85,089

17. reconciliation of movements in shareholders' funds

	2008-09	2007-08
	£000	£000
surplus after taxation	6,501	1,047
other recognised (losses)/gains relating to year	(12,103)	4,152
contributions and interest less withdrawals of members' capital during year	6	63
actuarial gain/(loss) relating to the pension fund	11	(1,399)
movement in deferred tax on pension deficit	(248)	176
	(5,833)	4,039
opening shareholders' funds	95,943	91,904
closing shareholders' funds	90,110	95,943

18. disposal of trading division

On 8 September 2008, the Society sold the fixed assets and stock of the M&S Toiletries division as a going concern, along with the M&S Toiletries Limited dormant company.

	£000	£000
net assets		8,862
proceeds	9,750	
sale fees & related costs	(481)	
net proceeds		9,269
surplus on disposal		407

19. financial commitments

	2008-09	2007-08
	£000	£000
future capital expenditure contracted for but not provided for	2,074	926

This relates to the remaining committed expenditure on the office development at Newbridge.

NOTES TO THE GROUP ACCOUNTS
CONTINUED

20. accounting for pension costs

The Society contributes to a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the Society in independently administered funds. The costs relating to these schemes of £114,000 (2007-08 - £132,000) are included within note 2.

The Society operates a defined benefit (final salary) funded pension scheme, the Scottish Midland Co-operative Society Pension Plan. The most recent full actuarial valuation was carried out at 29 January 2005 - the results of the 26 January 2008 valuation have not been finalised, though the Schedule of Contributions has been agreed. The actuarial valuation method used was the projected unit method. The actuarial assumptions which had the most effect on the result of the valuation were those relating to the rate of return on investments and the rate of increases in salaries and pensions. It was assumed that the investment return would be 7% pre retirement and 5.25% post retirement per annum, that the rate of salary growth would be 4% per annum, and the rate of pension increase for service between 05/04/97 and 05/04/05 would be 2.5% per annum, and from 06/04/05 would be 2.0% per annum.

At the date of review, the market value of the funds' assets was £31,256,000 and the actuarial value of the assets represented 78.7% of the actuarial value of all benefits accrued to members at that date, after allowing for future wage increases.

Employer contributions made in respect of the accounting period amounted to £1,924,000 (2007-08 - £984,000) which includes a special contribution of £450,000 (2007-08 - £486,000) and a further contribution of £1,000,000 in line with the agreed Schedule of Contributions from the 26 January 2008 valuation. Employer contributions for 2009-10 are currently estimated to be £2,250,000.

This valuation has been updated by the actuary to 31 January 2009 in order to comply with FRS 17.

the major assumptions used by the actuary were		at 31 Jan 2009	at 26 Jan 2008	at 27 Jan 2007
rate of increases in salaries		4.50%	4.60%	4.25%
rate of increases in pensions accrued post 05/04/97	LPI	3.00%	3.10%	2.75%
	RPI (maximum)	2.50%	2.50%	2.50%
rate of increase in deferred pensions		3.00%	3.10%	2.75%
discount rate		6.90%	6.30%	5.30%
inflation assumption		3.00%	3.10%	2.75%
expected return on the scheme assets		6.92%	6.39%	6.19%
life expectancy male		85.2 years	84.8 years	82.6 years
female		88.3 years	87.6 years	85.6 years

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

	2008-09		2007-08		2006-07	
	expected long term rate of return	fair value	expected long term rate of return	fair value	expected long term rate of return	fair value
	%	£000	%	£000	%	£000
equities	8.25%	11,615	7.50%	17,164	7.50%	18,664
bonds	6.90%	15,596	6.30%	16,760	5.30%	18,201
other	1.50%	(21)	4.50%	(205)	4.50%	429
total market value of assets	7.48%	27,190	6.92%	33,719	6.39%	37,294
present value of scheme liabilities		(38,495)		(45,907)		(48,029)
deficit in scheme		(11,305)		(12,188)		(10,735)
related deferred tax asset		3,165		3,413		3,221
net pension liability		(8,140)		(8,775)		(7,514)

In setting the expected return on the assets as at 31 January 2009, we have taken into account the yields on government bonds and quality corporate bonds and the views of HSBC in-house investment consultancy practice.

NOTES TO THE GROUP ACCOUNTS
CONTINUED

20. accounting for pension costs (continued)

	2008-09	2007-08
	£000	£000
analysis of the movement in the scheme deficit in the year		
opening deficit in the scheme	(12,188)	(10,735)
current service cost	(540)	(873)
contributions	1,924	984
net financing charge	(516)	(165)
actuarial gain/(loss)	15	(1,399)
closing deficit	(11,305)	(12,188)

amounts included within operating surplus	£000	£000
current service cost	540	873

amounts included in other finance costs	£000	£000
expected return on pension scheme assets	(2,319)	(2,344)
interest cost on pension scheme liabilities	2,835	2,509
net finance cost	516	165

reconciliation of present value of scheme liabilities	£000	£000
opening defined benefit obligation	45,907	48,029
service cost	540	873
interest cost	2,835	2,509
contributions by employees	485	492
actuarial gains	(8,446)	(3,263)
benefits paid	(2,826)	(2,733)
closing defined benefit obligation	38,495	45,907

reconciliation of present value of scheme assets	£000	£000
opening fair value of the scheme assets	33,719	37,294
expected return	2,319	2,344
actuarial losses	(8,431)	(4,662)
contributions by employer	1,924	984
contributions by employees	485	492
benefits paid	(2,826)	(2,733)
closing fair value of the scheme assets	27,190	33,719
actual return on scheme assets	(6,112)	(2,318)

NOTES TO THE GROUP ACCOUNTS
CONTINUED

20. accounting for pension costs (continued)

history of experience gains and losses

	2008-09		2007-08		2006-07		2005-06		2004-05	
	%	£000	%	£000	%	£000	%	£000	%	£000
defined benefit obligation		(38,495)		(45,907)		(48,029)		(49,944)		(40,669)
scheme assets		27,190		33,719		37,294		35,981		31,165
deficit		(11,305)		(12,188)		(10,735)		(13,963)		(9,504)
actual return less expected return on pension scheme assets	31.0%	(8,431)	13.8%	(4,662)	0.3%	129	10.9%	3,935	3.7%	1,141
experience gains and losses arising on the scheme liabilities	11.6%	4,484	0.9%	(424)	1.5%	729	2.3%	(1,132)	0.6%	(233)
changes in assumptions underlying the value of scheme liabilities	10.3%	3,962	8.0%	3,687	5.6%	2,705	14.2%	(7,065)	1.9%	(781)
actuarial gain/(loss) before tax	0.0%	15	3.0%	(1,399)	7.4%	3,563	8.5%	(4,262)	0.3%	127

	2008-09	2007-08
	£000	£000
amounts taken to the statement of total recognised gains and losses		
actual return less expected return on pension scheme assets	(8,431)	(4,662)
experience gains/(losses) arising on the scheme liabilities	4,484	(424)
changes in assumptions underlying the value of scheme liabilities	3,962	3,687
actuarial gain/(loss) before tax	15	(1,399)
net cumulative actuarial losses since 25 January 2003	(6,902)	(6,917)

NOTES TO THE GROUP ACCOUNTS
CONTINUED

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

	2008-09	2007-08
	£000	£000
operating surplus	9,235	5,105
depreciation charges	7,333	7,246
amortisation of goodwill	823	836
impairment of goodwill	-	190
increase in stocks	(5,186)	(43)
decrease/(increase) in debtors	8,255	(1,577)
(decrease)/increase in creditors	(7,282)	2,612
movement in pension liability	(1,384)	(111)
net cash inflow from operating activities	11,794	14,258

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

	£000	£000
(decrease)/increase in cash for year	(3,406)	575
cash outflow from decrease in debt and lease financing	6,794	6,876
movement in net debt for the year	3,388	7,451
opening net debt	(29,408)	(36,859)
closing net debt	(26,020)	(29,408)

23. cash flow statement : analysis of net debt

	at 26 Jan 2008	cash flow	other non-cash changes	at 31 Jan 2009
	£000	£000	£000	£000
cash at bank and in hand	6,198	(2,368)		3,830
bank overdraft	-	(1,038)		(1,038)
		(3,406)		2,792
debt due after 1 year	(30,375)	(1,500)	14,000	(17,875)
debt due within 1 year	(1,625)	6,250	(14,000)	(9,375)
finance leases	(3,606)	2,044	-	(1,562)
		6,794		(28,812)
total	(29,408)	3,388	-	(26,020)

NOTES TO THE GROUP ACCOUNTS
CONTINUED

24. segmental reporting	sales		operating surplus		net assets	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000	£000	£000
class of business						
retail / wholesale	296,117	276,056	6,989	2,227	26,476	22,472
property	4,633	4,118	1,678	1,491	63,634	73,471
continuing	300,750	280,174	8,667	3,718	90,110	95,943
discontinued	35,691	57,494	568	1,387		
	336,441	337,668	9,235	5,105		

25. operating lease commitments

At 31 January 2009 the commitment to make payments during the next year in respect of operating leases was as follows

	land & buildings	plant, transport & fixtures	land & buildings	plant, transport & fixtures
	2008-09	2008-09	2007-08	2007-08
leases which expire	£000	£000	£000	£000
within one year	854	44	198	174
within two to five years	1,328	255	1,727	742
after five years	3,632	-	3,735	-
	5,814	299	5,660	916

NOTICE OF MEETING AND AGENDA OF BUSINESS

Notice is hereby given that an Annual General Meeting of the Society will be held on Monday, 4 May 2009 at 7.00 p.m. at the following places. The Hilton Edinburgh Grosvenor Hotel, Grosvenor Street, Edinburgh and Motherwell Football Club, Fir Park, Motherwell.

AGENDA OF BUSINESS

1 Synopsis of Minutes of Ordinary General Meetings held on 6 October 2008

2 Obituary References

3 Appointment of Tellers

4 Constitutional Review: Consideration of the amendments required to suspend the age and length of service rules of elected members pending completion of the Constitutional Review

5 Directors' Report/Annual Accounts

6 Nominations and elections for Area Committees
East Area 5 Members to serve for 3 years,
1 Member to serve for 2 years and 1 Member for 1 year
North Area 2 members to serve for 3 years
West Area 5 Members to serve for 3 years, 1 Member to serve for 2 years
and 1 Member for 1 year

7 Elections for Member Relations Committee
East Area 2 Members to serve for 3 years
North Area 2 Members to serve for 3 years
West Area 2 Members to serve for 3 years

8 Nomination and Election of Members' Delegates to Scottish Co-operative Party Conference 2009

9 Synopses of Minutes of Board Meetings

10 Consideration of remuneration for Office Bearers and Directors
Present remuneration (per annum)
Central Board President £9,500, Vice President £6,750,
Minute Secretary £5,450, Directors £4,700
Area Committees Chairman £2,350, Vice Chairman £1,925, Treasurer £1,800,
Minute Secretary £1,700, Committee Members £1,600
Member Relations Committee Chairman £1,275
Committee Member £1,075
Tellers £5

11 Consideration of scale of fees for Directors' Delegations
Present Scale Day Fee £105, Part Day Fee £65

12 Consideration of Remuneration for Auditors

13 Member Relations Committee & Community Development Report

14 Society Co-operative Party Council Report

15 General business

ADMISSION TO GENERAL MEETING

Members will be admitted to the General Meeting by presenting their Share Books showing the minimum qualification of £1.00 shareholding deposited prior to 31 January 2009.

The next General Meeting (Ordinary General Meeting) will be held on Monday, 5 October 2009 at Edinburgh and Bathgate.

BOARD AND COMMITTEE MEMBERS

The tables below show the number of meetings attended by each member of the Board or Committee compared to the total of number of meetings held in the period (shown at the bottom of each table).

BOARD DIRECTORS	BOARD MEETINGS	GENERAL PURPOSES	AUDIT	RISK	REMUNERATION	SEARCH
Mr H Smallman (P)	15	8				3
Mr H Cairney (VP)	15				2	
Mr J Anderson (MS)	11	2	2			
Mr I Bailey	14					3
Mr R Brown	13					3
Mr J Gilchrist	13				2	
Mr J Hill	14	5		2		
Mrs M Hume	13			2		
Mr D Jamieson	14			1		2
Mrs C Kerr	12	1				3
Mr T McKnight (A 11/12/08)	3					
Mr J Middleton (R 29/09/08)	10				1	
Mr D Moon (R 15/01/09)	13	8	3		2	
Mr D Paterson	15			2		1
Mr J Watson	15	8	3			
Miss A Williamson	15	7	1		1	
Total meetings held	15	8	3	2	2	3

KEY

P = PRESIDENT | VP = VICE PRESIDENT | MS = MINUTE SECRETARY | A = APPOINTED | R = RESIGNED

In order to refresh the composition of Board Committees but also maintain an appropriate level of experience, the Board approved the selective rotation of the following directors on 15 May 2008:

Mr Paterson and Mr Watson replaced Mr Jamieson and Mr Smallman on the Risk Committee. Miss Williamson replaced Mr Middleton on the Remuneration Committee. Mr Jamieson replaced Mr Paterson on the Search Committee. Mr Middleton replaced Miss Williamson on the Audit Committee.

The total number of meetings of the General Purposes Committee shown above, includes two meetings relating to the Constitutional Review. Mr Anderson was co-opted on the General Purposes Committee to attend meetings relating to the Constitutional Review on 3 November 2008.
Following his appointment as Vice Chair of the East Area Committee, Mr Hill was appointed to the General Purposes Committee on 31 July 2008 to replace Mrs Kerr who resigned on 16 May 2008.

BOARD AND COMMITTEE MEMBERS

CONTINUED

EAST AREA COMMITTEE		WEST AREA COMMITTEE		MEMBER RELATIONS COMMITTEE	
Miss A Williamson (C)	12	*Mr D Moon (R 15/01/09)	9	Mrs H Anderson	6
#Mr J Hill (VC)	11	Mr J Watson (VC)	11	Mrs C Bartholomew (N)	5
*Mr J Anderson (MS)	11	Mr T McKnight (MS)	11	Mr R Carse	10
Mr D Jamieson (T)	9	Mr J Gilchrist (T)	9	*Mr D Hop	10
Mrs A Anderson	10	Mr I Bailey	10	Mr K Kelly	8
Mr R Brown	12	Mr P Devenney	11	*Mr J MacKenzie (JC)	8
Mr H Cairney	7	#Mrs M Hume	11	*Mr D Reid	12
Mrs G Dow (R 28/10/08)	4	Mr R Kelt	10	Mrs M Scott (JC)	9
Mrs C Kerr	10	Mrs T McEleney	7	Mrs B Swift	12
#Mr S Kerr	10	Mr D McGrouther	9		
Mr J Miller	9	Mr J Middleton (R 29/09/08)	7	**CO-OPTED OBSERVERS**	
Mr F Murphy (R 14/06/08)	5	*Ms A Milne	11	Miss A Williamson	12
Mr D Paterson	11	*Mr D Muirhead	10	Observers appointed May 08:	
Mrs J Reid	11	*Mr M Ross	11	Mrs A Milne	7
*Mrs G Smallman	10	*Mrs M Ross	10	Observers term ending May 08:	
*Mr H Smallman	11			Mr D McGrouther	3
*Mrs M Smith	9				
Total meetings held	12		11		12

KEY

C = CHAIRPERSON | VC = VICE CHAIRPERSON | MS = MINUTE SECRETARY | T = TREASURER | JC = JOINT CHAIRPERSON
N = NEW MRC MEMBER ELECTED MAY 2008 | A = APPOINTED | R = RESIGNED

* retire by rotation in May 2009 and are eligible for re-election.

retire under the Age Rule in May 2009 and subject to the Constitutional Review may not be eligible for re-election.

NOTES

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