

SCOTTISH MIDLAND  
CO-OPERATIVE SOCIETY LIMITED

# Interim Report

for the 26 weeks  
ended 29 July 2023



**Thank  
you!**

Scotmid 

**Our core purpose:**  
To serve our communities  
and improve people's everyday lives

**Scotmid**  


# Directors, Officers & Advisors

## DIRECTORS

### President

Jim Watson

### Vice President

Eddie Thorn

Andrew Clark Hutchison

Sheila Downie

Iain Gilchrist

Kaye Harmon

Keith Kelly

Richard McCready

David Paterson

Michael Ross

Andy Simm

Brian Weddell

## MANAGEMENT EXECUTIVE

### Chief Executive Officer

John Brodie

### Chief Financial Officer

Craig Strachan

### Chief Operating Officer - Retail

Karen Scott

### Chief Operating Officer - Services

Margaret Anne Clark

## ADVISORS AND REGISTERED OFFICE

### Independent Auditors

Anderson Anderson & Brown Audit LLP

### Bankers

HSBC UK Bank plc

### Solicitors

Anderson Strathern WS

### Registered Office

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

# Directors' Report

**Our core purpose: To serve our communities  
and improve people's everyday lives**



**The Directors of Scottish Midland Co-operative Society are pleased to present their interim report to members.**

For the 26 weeks to 29 July 2023, the Society's trading turnover was £212m, £12m up on the interim result to 30 July 2022. With the current market and economic challenges, there was an expectation that profit levels might not be maintained. Better weather than normal in June, innovation and cost control helped Scotmid's retail businesses. This, coupled with solid performances from Property and Funeral divisions, meant trading profit was £1.5m, £0.4m up on 2022. This was despite overhead costs continuing to rise and no Covid-19 support this year. The Society also restructured its Head Office in the period to focus on a leaner and more agile way of working. In the face of these headwinds, the Society has continued to work with a continuous improvement mindset, maintained efforts to reduce controllable costs and focused on its core purpose.

The food convenience division was impacted to the largest degree by the soaring costs in the marketplace, particularly energy. Food also saw cost inflation have an impact across the supply chain as well as low consumer confidence; each creating a challenging trading environment. However, the sunny weather in June bolstered performance. Following Semichem's successful move to its new warehouse at the turn of the year, focus remained on increasing sales, margin and customer footfall. Property continued to perform solidly, with a contribution increase following successful rent reviews. Funeral had a busy start to the year which flattened out as the winter months came to an end.

Community based funding continued to be at the heart of the Membership & Community team's work. In addition to community grants and Community Connect awards, significant donations were made to Braw Tea social enterprise, Scottish Police Rehabilitation Centre and St. Andrew's First Aid. The Charity of the Year partnership with Guide Dogs also continued; a total of £295k being raised during the partnership with funds collected from numerous events including a charity golf day, a Funeral team walk across Edinburgh, participation in various Kiltwalks and a Scotmid walking football event.

At the year end in January, the continued and increasingly difficult trading environment was re-emphasised. The ongoing cost-of-living crisis, high inflation, soaring interest rates and war in Ukraine have continued to impact in the first 26 weeks of this financial year. While steps taken to reduce inflation by the Bank of England have started to have an impact, rising costs and interest rates continue to pinch household income and discretionary spend is still comparatively low. As a result, consumer confidence remains fragile and the Society remains cautious, with a firm focus on efficiency and innovation to remain competitive. Despite rising costs, the interim results indicate resilience with a strong balance sheet to back up the improved trading performance. Focus will remain on the Society's core purpose of serving our communities and improving people's everyday lives and, guided by this, will remain attentive to the short-term challenges while looking for long term opportunities for growth.

# Directors' Report



F-Gas Refits were completed in a number of stores including St Margaret's (Pictured inset right) and Rattray (below).



# Directors' Report

## FOOD RETAIL

Many of the factors which influenced trading in the food division last year were still present in the first half of 2023. The main impacts being the cost-of-living crisis, energy costs, supply chain disruption from the war in Ukraine and extreme global weather. Despite these challenges being coupled with weak consumer confidence, the food division delivered solid performances in both sales and contribution.

The food division's sales in the 26 weeks were up on the same period for 2022.

Scotland had more sunshine than normal in June, which undoubtedly had a positive influence on footfall. While still down on pre-pandemic levels, customers visited Scotmid stores more frequently than the prior year with an increased basket spend. Despite these positive trends, volume for the period was down; showing the impact of UK inflation. Category performance reflected current market conditions with the cost-of-living crisis in particular continuing to have an influence on customers' spending patterns.

Availability in 2023 to date has been stronger than the previous year; allowing the food division to maximise key trading periods. This, alongside an improvement in the supply chain challenges previously reported,

and a tactical range reduction by FRTS – our Coop buying group, has improved the customer offer. Local sourcing has been a growth area in 2023 which has dovetailed alongside the improvement in overall supply. Better presentation for customers has also been rolled out, including new side racks for local ranges and additional digital advertising screens.

The food division continued to incur substantial overhead costs, including an increase in employment costs in April.

Recruitment continues to be a challenge in line with many retail environments, however, success has been seen via some new initiatives. Energy costs have also continued to rise, which show a large year on year increase despite forward hedging in place.

Despite these cost challenges, the business has continued to invest for the long-term benefit of the estate. Work has

included refit works, refrigeration and chilled efficiency upgrades, further installation of new hybrid cigarette gantries, and food to go works to enhance the customer offer. The proposed Deposit Return Scheme was paused until the full UK scheme's planned introduction in 2025, delaying significant capital spend required to remain compliant.



# Directors' Report



## SEMICHEM

The non-food market continues to be challenging, particularly due to the cost-of-living crisis. Similar to the food division, Semichem consumers are seeing disposable income squeezed by high rates of inflation, energy costs and interest rate rises. Footfall is slowly improving but is still below pre-pandemic levels as the marketplace adjusts to the new norm. Despite these challenges, Semichem has seen sales growth, performing ahead of 2022.

Cost pressure on consumers and retail dominated the first 6 months, with the price of goods rising at record rates in comparison to recent years and consumer confidence, while slowly improving, still significantly down. Semichem, though not immune to these challenges, continued to strive to maintain a value offer for customers by working closely with suppliers, while remaining mindful that cost of goods, and increases in employment and energy costs need to be covered to ensure the business remains sustainable.

To support and drive store footfall, Paypoint has been added to all stores, which

provides an additional service to customers. Investment in store colleagues has also continued with Society-wide training being rolled out to Semichem team members. The move to the new warehouse was completed in January with an overall improvement in service levels to stores now the new operating model is embedded. The team continues to navigate the impact of Brexit and movement of goods to Northern Ireland including preparations for changes to UK Internal Market in October, which should simplify the shipment of goods to these stores.

Semichem's performance during the first half of 2023 reflects its resilience and approach to navigating challenging market conditions, including the legacy of Covid-19. Targeted sales growth and expansion of key categories will continue to be supported by promotional activity, early launch of events and marketing initiatives into the second half of the year with a focus on Semichem's Christmas offer.

# Directors' Report

## FUNERALS

Scotmid's funeral business saw an increase in the number of funerals conducted in the first half of the year.

Several factors have influenced this uplift, including an increase in the death rate for the first few periods. The number of lower priced essential packages sold has increased, whereas traditional funerals have decreased slightly. This is likely a reflection of market conditions and families' appetite to spend less. Funeral colleagues continued to provide the best service possible and a range of funerals allowing a personalised choice in memory of loved ones, including a direct funeral alternative.



There was an increase in 'pre-need' funeral plans sold in the first half of 2023.

Scotmid Funerals continues to work with Ecclesiastical Planning Services to offer fully FCA regulated service to clients.

A new permanent funeral home in Preston was opened in April to serve this community. Further investment plans are in place to carry

out upgrades in a number of the existing funeral homes. The team are also exploring different options to expand and innovate in the market.

## PROPERTY

A positive rental performance from the Property division resulted in income moving forward year on year. In spite of a continuing uncertain economic backdrop, the portfolio benefitted from a reduction in bad debts and positive rent reviews. This underlines the benefit of strategic decisions over many years to exit lower income growth assets in favour of assets with better growth prospects. Steeply rising interest rates have led to pressure on both residential and commercial property values. However, the underlying income profile of the Society's properties remains strong and will continue to benefit from favourable demand versus supply availability in the residential letting market. Given market uncertainty, there were no additions to the portfolio during the period and no significant sales.

Commercial income outperformed the comparable period last year with

improvements in income yield from the core commercial stock following positive rent reviews. Lettings secured during the period will provide further rental income in the second half.

Residential rental income moved ahead slightly during the period. This is pleasing news with demand for residential property remaining robust for the moment, despite the challenging market conditions. There were no material changes in the portfolio versus the comparable period in 2022.

It is anticipated that continued interest rate rises and the ongoing cost-of-living crisis will impact the property sector, with the prospect of tenancy defaults and depressed valuations possible at year end. However, the ongoing and historic portfolio re-balancing work means the Society's estate should remain resilient.



## SOCIETY MATTERS & CENTRAL SUPPORT

In line with the continuous improvement philosophy, the restructure of Head Office led to substantial changes to the operation of the Society's central function, including the formation of the new Services, Finance and Retail divisions; allowing for more collaborative, transparent and agile ways of working.

The People & Performance Team played a key role in supporting the restructure and all areas focused on streamlining tasks, ensuring the ongoing provision of a prompt and efficient service. The 2023 Grow management development programme launched with a bumper group of candidates, including the first cohort of Semichem colleagues. Wellbeing work continued with the team prioritising financial resilience against a backdrop of the ongoing cost-of-living crisis. Colleagues and elected members also took part in a Walking Football event in July. In March the Wellbeing Team were honoured to receive national recognition at the Great British Workplace Wellbeing Series Awards winning 'Best use of Tech'.

In June, the first phase of the new people system, myScotmid, was launched for all employees allowing colleagues to update personal information, claim expenses and engage with co-workers. The Make it Simple programme saw continued progress including digital compliance forms, robot cleaning trials and the testing of new self-checkout tills across retail.

Like most retailers at present and against a backdrop of the cost-of-living crisis, the Society has seen an increase in crime. The team continues to trial security technology and work with external agencies to promote the importance of the safety and protection of colleagues and customers.

Sustainability remains key with plans to further reduce energy consumption through LED lighting refits, solar panel installations and the introduction of voltage optimisation to sample sites. Plans for a direct corporate power purchase agreement are now at final stages.

Scotmid continues to hold complementary diversification investments in The Start-Up Drinks Lab (SUDL), Product Guru and the Alcoholic Water Company (AWC). SUDL has recruited a new Managing Director to embed their drinks innovation mission and profitability has increased in the period despite soaring costs. Product Guru has continued its hybrid business model, allowing producers to connect with buyers digitally, as well as recently launching a subscription model. AWC continues its period of hibernation, retaining cash reserves in anticipation of the UK hard seltzer market maturing.

At the half year, the Society's surplus before tax was £0.3m, down £0.4m on the 2022 interim result. An increase in trading profit could not offset higher interest charges and less favourable financial hedging movements. At the end of the half year, the



Society's net assets (pre-tax and pension valuation) had increased to £122.8m from £113.4m at July last year.

Following record spend in 2022-23, the first half of 2023-24 saw capital investment more in line with historical trends. This has allowed part of the debt facility to be repaid; reducing overall exposure to higher interest rates. The main areas of spend in the period were therefore planned retail upgrades, property refurbishment works and the purchase of new funeral vehicles.

## MEMBERSHIP & COMMUNITY

Scotmid has been actively engaged in a range of impactful initiatives and charitable contributions in the first 6 months of the year. Commemorating Scotland's decade-long status as a Fair Trade Nation, Scotmid proudly sponsored the World Fairtrade Day Gathering in February. Additionally, a Fairtrade wine tasting was organised exclusively for Scotmid members. During Cooperative Fortnight 2023, Fairtrade refreshments were donated to community cafes and social media messaging endorsed the #alltogetherdifferent national campaign.

Dedication to diverse causes was shown by sponsorship of the ITAKOM (It Takes All Kinds of Minds) neurodiversity conference and support of Dundee Museum of Transport's 'Women in Transport' exhibition. Financial support was also extended to the Braw Tea social enterprise, aiding disadvantaged women. Six mountain bikes are being

donated to the Scottish Police Rehabilitation Centre, bolstering the wellbeing of both current and retired officers. A further donation was made to St Andrew's First Aid to help pay for their volunteers' uniforms.

The growing Scotmid Community Orchard project has already led to the establishment of approximately 80 micro-orchards, fostering community engagement, environmental improvement, and wildlife habitats. Funds were distributed among 9 Scottish and 3 Lakes & Dales based Community Connect groups, as determined by member votes during the 2023 AGMs. Fundraising continued for our charity partner, Guide Dogs, with colleagues participating in diverse challenges raising £295k at the end of the partnership for this vital cause. Guide Dog volunteers and pups were visible in stores and events, actively bolstering fundraising efforts.

## APPRECIATION

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

Signed on behalf of the Directors

**Jim Watson**, President

**Eddie Thorn**, Vice President

# The Society in Focus



# The Society in Focus



Above: The Society received the "Best use of technology" award at the Great British Workplace Wellbeing Series Awards 2023. As part of the ongoing Wellbeing programme the Society also produced material to promote a range of initiatives including mental health and financial assistance. Below: Colleagues and Committee Members took part in a Walking Football Mini-Tournament to promote Wellbeing. Opposite page top: The end of our Charity Partnership for 2022-2023, saw the Society announce that £295,000 had been raised for Guide Dogs. Opposite page bottom: Just prior to the end of the partnership, colleagues from the Funeral Team and Head Office took part in their annual charity car wash at Hillwood House.



# Interim Statement of Group Trading Activities

	29 July 2023 £000	30 July 2022 £000
<b>Turnover</b>	<b>212,360</b>	<b>200,389</b>
<b>Profit</b>		
Trading profit	1,458	1,142
Exceptional items	19	77
Operating Profit	<u>1,477</u>	<u>1,219</u>
Net finance charges	(842)	(181)
Surplus before distributions	635	1,038
Share interest/grants and donations	(309)	(311)
Surplus before taxation	<u>326</u>	<u>727</u>
<b>Net Assets</b>		
Fixed assets	168,643	173,096
Net current assets	(3,020)	(4,779)
Long term liabilities	(31,151)	(34,039)
Provisions for liabilities and charges	(6,398)	(3,050)
Pension liability	(5,310)	(17,788)
Net assets	<u>122,764</u>	<u>113,440</u>
<b>Cash Flow</b>		
Inflow from operating activities	4,780	2,210
Net interest, grants and donations	(1,029)	(312)
Corporation tax payment	(119)	(347)
Capital expenditure/acquisitions	(2,687)	(14,979)
Proceeds from sale of fixed assets	111	2,247
Decrease in members' share capital	(23)	(9)
Movement in net debt	<u>1,033</u>	<u>(11,190)</u>
<b>Net Debt</b>		
Opening net debt	(25,857)	(16,922)
Reduction/(increase) in period	1,033	(11,190)
Closing net debt	<u>(24,824)</u>	<u>(28,112)</u>

## NOTES TO THE INTERIM STATEMENT

1. The financial information does not constitute statutory accounts and is not audited.
2. Turnover includes cash sales, goods sold on credit and property rental income exclusive of value added tax, funeral disbursements and discounts. Investment properties revaluation adjustments are made annually at the year end. A property revaluation is not undertaken for the interim results. Pension revaluation adjustments are made annually at the year end and consequently are not reflected in the interim statement. No provision has been included in the net assets statement for any possible tax charge, either current or deferred, which may arise in the current year.

# Notice of Meeting & Agenda of Business

Notice is hereby given that an **Ordinary General Meeting of the Society will be held on Monday 2 October 2023 at 6.30pm at:** The O2 Academy, (formerly known as The Edinburgh Corn Exchange) 11 New Market Road, Edinburgh EH14 1RJ; **and at:** Double Tree by Hilton, Strathclyde Business Park, Phoenix Crescent, Bellshill, ML4 3JQ;

**and on Tuesday 3 October 2023 at 6.30pm at:** Park Hotel, 61 John Street, Montrose, DD10 8RJ.

## AGENDA OF BUSINESS

1. Community Connect Presentations and Voting
2. Synopsis of Minutes of Annual General Meetings held on 24, 25 and 26 April 2023
3. Nominations for Regional Committees:  
**East Regional Committee:** 4 Members to serve for 3 years  
**Seaton Valley area:** 1 Member to serve for 3 years  
**West Regional Committee:** 4 Members to serve for 3 years;  
and 1 Member to serve for 1 year  
**Penrith area:** 1 Member to serve for 3 years  
**North Regional Committee:** 4 Members to serve for 3 years
4. Directors' Report/Interim Accounts
5. Remuneration and other Fees, Delegations and Attendance payments
6. Membership and Community Development Report
7. General business
8. Any other competent business

## ADMISSION TO GENERAL MEETING

If you have been a Member for six months or more and wish to attend the meeting please complete the registration form on the Society's website or telephone 0131 335 4433. Members who joined by 2 July 2023 and wish to attend the Community Connect presentations, cast their votes and observe the remainder of the OGM should also register to attend the meeting. If you plan on attending the meeting and would prefer the Chairman to ask a question on your behalf, you may submit your question in advance of the meeting in writing, by telephone or by email to [Secretariat@scotmid.co.uk](mailto:Secretariat@scotmid.co.uk). The deadline for registration for the meetings is Monday 25 September 2023 at 9.00am.

Members will be admitted to the General Meeting by presenting their admission ticket and Share Book or Community Connect card. Registration desks will open at 5.30pm, all meetings will start promptly at 6.30pm for Community Connect presentations and voting and at 7.00pm for the remainder of the OGM. To ensure there are no disruptions late entry will not be permitted until the Community Connect voting has concluded or after 7.00pm.

The next General Meeting (Annual General Meeting) will be held on Monday 29 April 2024 in Edinburgh, on Tuesday 30 April 2024 in the North Region and on Wednesday 1 May 2024 in Bellshill.

# Board Members

The following tables show the number of meetings attended by each member of the Board or Committee compared to the total number of meetings held in the period (shown at the bottom of each table). Meetings held from 28 January 2023 - 29 July 2023.

Board Directors	Board Meetings	General Purposes	Audit	Remuneration	Search
Mr J Watson (P from 27/4/23)	6	1(C)		2	1 (C)
Mr E Thorn (VP from 27/4/23)	6	1	2 (C)		
Mr H Cairney (P to 26/4/23) ◇	2				1
Mr A Clark Hutchison	6		2		
Mrs S Downie	5	1		2	
Mr I Gilchrist	6				2
Mrs K Harmon	6				2
Mr K Kelly	6				2
Dr R McCready	6			2 (C)	
Mr D Paterson	6		2		
Mr M Ross	6	1	2		
Mr A Simm	5			1	
Mr B Weddell (E 26/4/23)	6				
<b>Total Meetings Held</b>	<b>6</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>

**Key: P - President, VP - Vice President, C - Board Committee Chair, E - Elected**

◇ On 26 April 2023, Harry Cairney retired as Society President with the thanks of the Board and Members for his long service.

Following his election as President on 27 April 2023, Jim Watson replaced Harry Cairney as Chairperson to the General Purposes and Search Committees. He was then replaced as Chairperson to the Remuneration Committee by Richard McCready. On 27 April 2023, Iain Gilchrist moved from the Search Committee to the Remuneration Committee. Andy Simm retired from the Remuneration Committee on 27 April 2023 having served his full term of office and was appointed to the Audit Committee.

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

John Brodie is a Director of the Federal Retail Trading Services Limited, Edinburgh Children's Hospital Charity, Scotmid Pension Trustee Limited, Scotmid-Miller (Great Junction) Street Limited, Task Trading Limited and The Start-Up Drinks Lab Limited.

# Regional Committee Members

East Regional Committee		West Regional Committee		North Regional Committee	
Mr E Thorn (C 11/5/23)	4	Mr M Ross (C)	3	Mrs S Downie (C) *	4
Mr D Paterson (VC 11/5/23) *	4	Mr J Watson (VC)	4	Dr R McCready (VC)	4
Mrs R McCabe (MS 11/5/23) *	4	Ms M Nolan (MS)	4	Mrs S McSorley (MS)	4
Mr H Cairney (R 26/4/23)	2	Mr S Ballantyne *	3	Mrs E Farquhar *	4
Mr J Baxter (E 26/4/23)	3	Mr S Curran *	4	Mrs J Garnes *	3
Mr D Costello	3	Mr I Gilchrist	3	Mr A Hutchison	3
Mr A Clark Hutchison	3	Ms K Harmon	3	Mr A MacLeish	4
Mrs H Dalley (E 26/4/23)	3	Mrs M Kane	3	Mr D Patterson	4
Mr C Henderson	3	Mr J Mills	4	Ms E Pipe	2
Mr J Hendrie *	4	Mr G Randell *	2	Mrs S Sandbach	3
Mrs L Hinds	4	Mrs K Scott	3	Mrs M Smith	4
Mr K Kelly *	4	Mr C Sim	4	Mrs D Taylor	3
Mr J Mackenzie	3	Mr A Simm *	4		
Mr B Weddell	4	Mr D Simpson	4		
<b>Total Meetings Held</b>	<b>4</b>	<b>Total Meetings Held</b>	<b>4</b>	<b>Total Meetings Held</b>	<b>4</b>

**Key: C - Committee Chair, VC - Vice Committee Chair, MS - Minute Secretary, R - Retired, E - Elected**

\* Regional Committee Members whose terms of office will complete in at AGM 2024 and will seek nomination at OGM 2023.

A Lakes & Dales Panel was formed in 2019 to consider applications for Community Grants and act as the Community Connect Selection Panel for the Lakes & Dales Region. The Panel is Chaired by Jim Watson with John Mills, Christopher Henderson and David Simpson co-opted to serve. They may attend either Regional Committee or Panel meetings.



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