

SCOTTISH MIDLAND CO-OPERATIVE SOCIETY LIMITED

# INTERIM REPORT

for the 26 weeks  
ended 27 July 2024



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

Scotmid  
coop

# Directors, Officers & Advisors

## DIRECTORS

### President

Eddie Thorn

### Vice President

Michael Ross

Andrew Clark Hutchison

Iain Gilchrist

Kaye Harmon

Keith Kelly

Richard McCready

Sharon McSorley

John Mills

David Paterson

Andy Simm

Brian Weddell

## MANAGEMENT EXECUTIVE

### Chief Executive Officer

John Brodie

### Chief Financial Officer

Craig Strachan

### Chief Operating Officer - Retail

(Chief Executive Designate from May 2024)

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

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

In the 26 weeks ended 27 July 2024, the Society's turnover was £214m, up £2m on the 2023 interim result. With market conditions continuing to be tough on consumers, this interim result was challenging and was heightened by exceptionally poor summer weather. However, the Society did benefit from lower year-on-year energy costs, a solid property performance and the 2023 restructuring savings. This, coupled with margin work in retail and tight control of costs, has helped to offset reduced customer footfall, higher employment costs and other costs resulting in a trading profit of £2.1m; a year-on-year increase of £0.6m. Despite a challenging trading environment, the Society has maintained an unwavering focus on serving our communities and improving people's everyday lives. And, with the support of colleagues throughout the business, has tightly managed costs to achieve a solid result.

The Society's retail divisions were impacted to the largest degree by the poor summer weather and continued cost-of-living crisis. The food division saw the greatest decrease in energy costs from 2023, although still comparatively high versus historic averages, but did see significant cost increases in other areas. Despite the continued market challenges, the food division increased turnover. Semichem remained focused on increasing sales and margin while tightly controlling costs. Property delivered a solid interim result, with successful rent reviews and proactive letting management. Funeral saw a quieter start to the year with death rate falling and more customers opting for lower priced direct funerals.

The Membership and Community Team remained committed to the Society's core purpose with community grants and regional Community Connect awards distributed. Significantly, a donation to the Jamieson Spatial Laboratory at the Cancer Research UK Scotland Institute was made. Other substantial donations included those to Dundee International Women's Centre, Edinburgh Children's Hospital Charity and Scottish Fire and Rescue Service. The Charity of the Year partnership with RNLI also continued with £274k raised allowing the Society to donate a new Atlantic 85 lifeboat to the charity. Other activities included a charity golf day, Kiltwalks and Scotmid staff fundraising events.

The challenges facing the Society which were highlighted at year end in January continue to have a significant bearing on consumer appetite to spend and, hence, trading performance. The headwinds of the cost-of-living crisis and high interest rates had impacts, but the biggest single factor affecting the interim results was undoubtedly the exceptionally poor and wet weather during the summer period. Inflation in the market has stabilised and consumers are showing some signs of optimism with a cut in interest rates and changed UK government, however, consumer confidence remains negative. Scotmid therefore remains focused on offering best value for customers while driving efficiencies and, where possible, cost savings. Although there have been obstacles, the interim results display resilience in the Scotmid Society, its customers and members.

# Directors' Report



Above: Food to Go refresh works were rolled out to a further 19 stores. Below: Law store underwent a major refurbishment. Opposite page: An everyday value pricing initiative was introduced focusing on key family meal staples like fresh meat and produce.



# Directors' Report

## FOOD RETAIL

The food division faced many of the same challenges as 2023, such as the cost-of-living crisis, high costs including increased wages, and supply chain disruption due to geopolitical factors. The extremely poor summer weather also had a major impact on performance and footfall, which compared to good periods of early summer sunshine in 2023.

Sales for the food division grew in the first half of the year. This was driven partly by inflation, despite the weather having a dampening effect on customers' desire to spend. This was reflected in customer visits to store, which decreased year-on-year, however, there was an increase in average transaction value. Volumes were also down in the period, which continues to reflect the impact of the cost-of-living crisis and budgetary constraints. Category performance was mixed with seasonal categories impacted by the poor summer weather, while more traditional convenience categories performed well.

Proactive availability management continued to be a key focus in order to combat several issues within the supply chain, including restrictions on volumes in ambient categories. An everyday value pricing initiative was introduced in the second quarter to help alleviate volume

pressure, focusing on key family meal staples like fresh meat and produce. Promotional activities included an STV advertising campaign and leaflet drop, highlighting key customer offers during the Euros and summer months. Membership numbers were enhanced in the period with the introduction of member only deals offering significant savings.

The food division faced significant cost pressures including an increase to the largest cost area, wages. Energy costs have reduced year-on-year, but remain comparatively high. The Society therefore continues to work on initiatives to reduce consumption and hedge exposure. Other costs have also continued to rise in the period with teams working hard to mitigate increases where possible.

Capital investment remains key to the ongoing continuity of the

food estate, with investments in the period including continued refit and refrigeration works. Food to Go refresh works were also completed in 19 stores, focusing on upgrading existing infrastructure to introduce improved and extended ranges in store. Initial scoping costs were incurred for the new tills and self-scan project, which is set to begin in the second half of the year.



Sales for the food division grew in the first half of the year. This was despite the weather having a dampening effect on customers' desire to spend and visit stores.



# Directors' Report



## SEMICHEM

Semichem faced a tough first half of 2024 due to the cost-of-living crisis, poor weather and low consumer confidence affecting discretionary spending. These factors creating a challenging retail environment and depressed non-food sales across the UK. Semichem has not been immune to these challenges alongside increasing costs, however, has managed to maintain trading performance in line with 2023.

Consumers' economic outlook was dominated by rising cost pressure, especially around mortgage and loan payments, and a general increase in cost of goods. Consumer confidence improved slightly, but remained fragile and still reporting negative metrics. Semichem offered value to customers while carefully managing these rising costs of goods, wages, and other expenses. Adjustments in warehouse operations and the management of store hours in line with sales performance have limited the year-on-year cost increase.

Semichem's price cut campaign and Mega Deals, some supported by radio promotions, have been crucial in maintaining sales and shaping customer perception of value. While managing margins remains a priority, sales continue to be driven through strategic value deals and promotional tactics. Event-driven sales, such as Valentine's, Mother's Day and Father's Day, have been successful, although summer promotions were hindered by poor weather. Semichem will maintain focus on event-driven sales, with plans for earlier launches of Halloween and Christmas. The Semichem warehouse operation is now fully established at the Nairn Road site, consistently delivering a service level exceeding 99%.

Despite tough market conditions, Semichem has continued to strive for sales and best service for customers during the first six months of 2024, and will continue to aim for targeted sales growth as the golden quarter for trade approaches.

Semichem offered value to customers while carefully managing rising costs of goods, wages, and other expenses.

# Directors' Report

## PROPERTY

The property division delivered a higher surplus in the first six months, mainly driven by higher rental income from the existing estate as there were no major acquisitions or disposals in the period. Bad debts were low despite economic uncertainty and market sentiment improved slightly in the first half of 2024, with inflation returning to target level and interest rates expected to decrease further. The commercial property market showed signs of recovery, while the residential sales market remained stable. Both markets will benefit from reducing interest rates.

Commercial rental income increased compared to the previous year, which was achieved by new lettings, rent review increases and negligible bad debt levels. A small non-core retail unit was sold in line with the long-term strategy of diversification.

Residential rental income grew in the first six months of the year. The Scottish Government modified its rent control policy, which allowed some market growth to be captured. The demand for private tenancies continued to be strong. A vacant non-core flat was sold in the period while the Otago Street investment in Glasgow was bolstered by the acquisition of six lock up garages. A major external maintenance project was also completed at one of the key residential locations.

The property team continued to review the Society's operational trading assets to identify potential development opportunities. While macroeconomic conditions appear to be improving, the market remains challenging. However, the long-term view and rebalancing work done over many years should allow the Society's portfolio to remain resilient.

## FUNERALS

Scotmid's funeral business recorded a lower number of funerals when compared to the 2023 interim result. Several factors have influenced this change including a lower death rate for the first few periods and a shift in customer preferences. The percentage of Traditional funerals decreased while lower priced Essential packages increased slightly. Most notably, there was a marked increase in lower priced Direct funerals which reflects market conditions, families' budget constraints, increased advertising in the market and general acceptance of direct cremations as an option.

There was an increase in 'pre-need' funeral plans sold in the period where Scotmid Funerals continue to partner with Ecclesiastical to offer the best possible and fully regulated service to clients.

Investment in the funeral division continued with the purchase of a new private ambulance and the redesign of the customer facing website. Plans are also in place to upgrade a number of funeral homes while the team continues to explore innovative ways to enhance the customer offer.

A lone piper playing Amazing Grace, and everyone greetin' buckets?

Or maybe no fuss at all?  
Get peace of mind and the wind off you're always wanted. With a pre-paid funeral plan from Scotmid. Pop in to find out more.

Scotmid funerals  
coop

Ecclesiastical  
Planning Services

Terms & conditions apply

Thank When You Need Us



## SOCIETY MATTERS & CENTRAL SUPPORT

The Society maintained a focus on continuous improvement. A key accomplishment being the successful rollout of phase two of myScotmid, which introduced both Workforce Management and scheduling systems. This was supported by extensive training and engagement with early feedback highlighting the transformative impact for both colleagues and managers.

The Society's commitment to employee wellbeing remains a priority, with targeted initiatives and events conducted throughout the first half. Notably, the launch of the 'What matters to you, matters' colleague feedback campaign has fostered open communication and greater engagement.

Investment in technology included the development of the Membership system, new websites and the implementation of invoice automation. The new range and space planning system was launched across all Food stores and there has been further investment to enhance Electronic Shelf Edges Labels. New Chip and Pin devices are currently being rolled out. The Society is also investing in a new data warehouse to empower managers by providing more accessible, targeted information to help make decisions and understand issues.

Several measures have been implemented to combat rising retail crime, including working with Police Scotland on the rollout of a retail crime action plan, the expansion of security screens in high-risk stores and the extension of the body-worn camera trial.

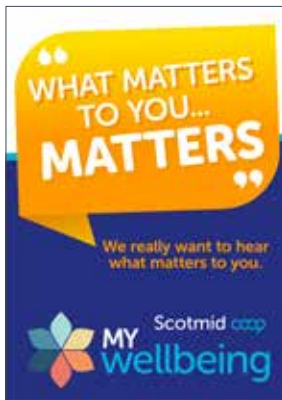
Sustainability initiatives included locations identified as potential further solar sites, the continued roll out of EV charging platforms, and limited installation of voltage optimisation technology. LED lighting is now close to full estate coverage, with older sites being revisited to upgrade existing LEDs.

The Society has complementary diversification investments in The Start-Up Drinks Lab (SUDL), Product Guru (PG) and The Alcoholic Water Company (AWC). SUDL has continued to focus on its drinks innovation model, allowing for reduced dependency on seasonal production and a focus on service delivery. PG has traded well in the first half of 2024 increasing turnover with additional events launched and plans to expand into international markets. AWC remains in a holding pattern, with cash reserves invested while the UK hard seltzer market establishes.

The Society's surplus before tax was £0.8m, up £0.4m from 2023. An increase in trading profit was reduced by higher interest charges and distributions to good causes. At the end of the half year, net assets had decreased to £121.6m from £122.8m at July 2023, with the reduction mainly driven by the 2023/24 year-end property valuation and pension deficit change.

Capital spend in the period followed a similar trend to 2023 with a lower level of investment than is typically the case at this point. Spend areas have mainly included food store refits and upgrades, minor





Opposite page: The Food Conference returned after a 5 year hiatus. Above left: The Wellbeing Team launched a "What Matters to You, Matters" colleague feedback campaign. Above right: The Society made a key donation to the Jamieson Spatial Laboratory at the Cancer Research UK Scotland Institute

property additions and a new ambulance in the funeral fleet.

## MEMBERSHIP & COMMUNITY

Scotmid's Membership & Community activity continued with a wide range of financial and other support to local community groups and national good causes. The Society made a key donation to the Jamieson Spatial Laboratory at the Cancer Research UK Scotland Institute. This funding will facilitate the acquisition of a state-of-the-art microscope for advancing research into cancer biology, potentially leading to more targeted treatments.

At the Society's AGMs 2024, members allocated funding to nine Scottish Community Connect groups, and three in the Lakes & Dales region. Colleagues, customers and members continued fundraising for the RNLI, which has allowed the Society to purchase a new Atlantic 85 lifeboat for our charity partner. The Scotmid Community Orchard project continues while young entrepreneurs are benefitting from the 'Scotmid Changemaker Fund', which supports the Social Enterprise Schools Programme by offering grants to schools within Scotmid communities.

The Society also supported various good causes, which included donations to Dundee International Women's Centre for a new cooker, Edinburgh Children's Hospital Charity for their Haven Project, and the Scottish Fire

and Rescue Service to extend their FireSkills programme to school pupils in Perth. In addition, the Society organised a Dog First Aid session with the Edinburgh Dog and Cat Home, free tickets for cooperative band concerts, and a 'Try Tennis' taster session. These activities enhance the member offer and allow the Society to support good causes in new ways.

## APPRECIATION

This set of results represent Chief Executive Officer, John Brodie's, final interim report leading the Society. Having committed 30 years of his working life to Scotmid and 20 years as Chief Executive, he has been a true stalwart of the Society and will be sorely missed. However, his legacy will live on as Karen Scott steps up to lead the business as Chief Executive where focus will remain on continuous improvement and, of course, our core purpose of serving our communities and improving people's everyday lives.

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

**Eddie Thorn**, President

**Michael Ross**, Vice President

# The Society in Focus



Above: More good-cause groups received important funding at the AGMs in April as part of the Society's Community Connect Award Scheme. Below left: Scotmid was crowned the Convenience Retailer of the Year at the Sammies Awards (The Sandwich and Food to Go Awards). Below right: Scotmid Ballantrae was proud to be crowned the Small Convenience Store of the Year at The Convenience Awards 2024.



# The Society in Focus



Above: Law Store relaunched after renovation. Changes included the installation of a new defibrillator for community use. Below left: The Society launched a selection of offers with special savings exclusively for Members. Below right: The James Young High School in Livingston, one of many schools supported by the Scotmid Changemaker Fund.

## Unlock Exclusive Savings

Scan your Community Connect Card for Member Prices\*



\*Community Connect prices are only available to Scotmid Members on presentation of a valid Community Connect Card. Photocopies of cards are not accepted. All price reductions are not applicable. Community Connect Cards can take approximately 2 weeks to arrive.

To become a Scotmid Member, please ask a store colleague for an application form.

Need a replacement card?



SHOP > SCAN > SAVE




# Interim Statement of Group Trading Activities

	27 July 2024 £000	29 July 2023 £000
<b>Turnover</b>	214,007	212,360
<b>Profit</b>		
Trading profit	2,054	1,458
Exceptional items	145	19
Operating profit	<u>2,199</u>	<u>1,477</u>
Net finance charges	(1,105)	(842)
Surplus before distributions	1,094	635
Share interest/grants and donations	(341)	(309)
Surplus before taxation	<u>753</u>	<u>326</u>
<b>Net Assets</b>		
Fixed assets	162,159	168,643
Net current liabilities	(25,398)	(3,020)
Long term liabilities	(940)	(31,151)
Provisions for liabilities and charges	(8,022)	(6,398)
Pension liability	(6,244)	(5,310)
Net assets	<u>121,555</u>	<u>122,764</u>
<b>Cash Flow</b>		
Inflow from operating activities	2,126	4,780
Net interest, grants and donations	(1,313)	(1,029)
Corporation tax refund/(payment)	1,654	(119)
Capital expenditure/acquisitions	(2,159)	(2,687)
Proceeds from sale of fixed assets	328	111
Decrease in members' share capital	(22)	(23)
Movement in net debt	<u>614</u>	<u>1,033</u>
<b>Net Debt</b>		
Opening net debt at beginning of year	(22,150)	(25,857)
Reduction in period	614	1,033
Closing net debt	<u>(21,536)</u>	<u>(24,824)</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 Ordinary General Meetings of the Society will be held as follows:

<b>EDINBURGH</b>	Monday 30 September 2024 - The Pavilion, Royal Highland Centre, Ingliston, Edinburgh EH28 8NB.
<b>PERTH</b>	Tuesday 1 October 2024 - Perth Concert Hall, Mill Street, Perth PH1 5HZ.
<b>BELLSHILL</b>	Wednesday 2 October 2024 - DoubleTree by Hilton, Strathclyde Business Park, Phoenix Crescent, Bellshill, ML4 3JQ.

## AGENDA OF BUSINESS

1. Appointment of Scrutineers
2. Community Connect Presentations and Voting
3. Synopsis of Minutes of Annual General Meetings held on 29 April, 30 April and 1 May 2024
4. Nominations for Regional Committees
  - East Region:** 4 Members to serve for 3 years
  - North Region:** 3 Members to serve for 3 years
  - West Region:** 4 Members to serve for 3 years
  - West Region (Penrith area):** 1 Member to serve for 3 years
5. Directors' Report and Interim Accounts
6. Remuneration and other Fees, Delegations and Attendance Payments
7. Approve the Adoption of new Rules for the Society
8. Membership & Community Development Report
9. Any Other Competent Business

## ADMISSION TO GENERAL MEETING

To attend the OGM you must have been a member for at least three months. Members of less than six months can attend to cast their Community Connect votes and observe the OGM. Members who have registered to attend will be admitted by presenting their Share Book or Community Connect card. Registration desks will open at 5.30pm and meetings will start promptly at 6.30pm with Community Connect presentations and voting. The remainder of the business of the OGM will start at 7.00pm. Members will not be admitted to the meeting once the Community Connect voting has concluded.



# 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 2024 - 27 July 2024.

Board Directors	Board Meetings	General Purposes	Audit	Remuneration	Search
Mr J Watson (P) (R 01/05/24)	3				
Mr E Thorn (P) (E 02/05/24)	7	1 (C)	2		1 (C)
Mr M Ross (VP) (E 02/05/24)	6	1	2		
Mr A Clark Hutchison	7		2 (C)		
Ms S Downie (R 30/04/24)	3			2	
Mr I Gilchrist	7			3	
Mrs K Harmon	4				1
Mr K Kelly	6				2
Dr R McCready	6			3 (C)	
Mrs S McSorley (E 30/04/2024)	3				1
Mr J Mills (E 01/05/2024)	3			1	
Mr D Paterson	7		2		
Mr A Simm	6		2		
Mr B Weddell	7				2
<b>Total Meetings Held</b>	<b>7</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>2</b>

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

On 1 May 2024, Jim Watson retired as Society President with the thanks of the Board and Members for his long service.

On 30 April 2024, Sheila Downie stepped down as a Director on the Scotmid Board but remains as a Member of the North Regional Committee.

The following changes to the composition of the Board committees took effect on 2 May 2024: Following his election as President, Eddie Thorn replaced Jim Watson as Chair of the General Purposes Committee and the Search Committee. He was replaced as Chair of the Audit Committee by Andrew Clark Hutchison. Kaye Harmon moved from the Search Committee to the Remuneration Committee. Sharon McSorley and John Mills, two newly-elected Directors on the Board, were appointed as members of the Search Committee and Remuneration Committee respectively.

Michael Ross, David Paterson and Eddie Thorn are Directors of Scotmid Pension Trustee Limited, the sole trustee of the Scottish Midland Co-operative Society Limited Pension Plan. Eddie Thorn is a Director of Co-operatives UK. David Paterson is a Director and Chair of Co-operative News. David Paterson and Richard McCready are members of The Co-operative Group Member Council.

John Brodie was 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, Independent Co-op Services Limited, The Alcoholic Water Company Limited and The Start Up Drinks Lab Limited during the period.

# Regional Committee Members

East Regional Committee		West Regional Committee		North Regional Committee	
Mr E Thorn (C)	4	Mr M Ross (C)	4	Dr R McCready (C)	4
Mr D Paterson (VC)	3	Mr J Watson (R 01/05/24)	2	Mrs D Taylor (VC)	4
Mrs R McCabe (MS)	4	Ms K Harmon (VC)	3	Mrs S McSorley (MS)	4
Mr J Baxter	3	Ms M Nolan (MS)	3	Mrs S Downie	3
Mr A Clark Hutchison	4	Mr S Ballantyne	4	Ms E Farquhar	4
Mr D Costello	2	Mr S Curran	3	Mrs J Garnes	3
Mrs H Dalley	4	Mr S Ewart (E 01/05/24)	2	Mr A Hutchison	3
Mr C Henderson	3	Mr I Gilchrist	4	Mr A MacLeish	4
Mr J Hendrie	3	Mrs M Kane	1	Mr J Martin (E 30/04/24)	2
Mrs L Hinds	4	Mr J Mills	4	Mr D Patterson	4
Mr K Kelly	4	Mr G Randell	2	Ms E Pipe	4
Mr J Mackenzie	4	Mrs K Scott (R 09/05/24)	3	Mrs S Sandbach (R 26/02/24)	1
Mrs G Thornton (E 29/04/24)	2	Mr C Sim	4	Mrs M Smith (R 30/04/24)	2
Mr B Weddell	4	Mr A Simm	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**

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 John Mills with Christopher Henderson, David Simpson and Gail Thornton co-opted to serve. They may attend either Regional Committee or Panel meetings.



Scotmid 

**OUR CORE PURPOSE:**

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

[www.scotmid.coop](http://www.scotmid.coop)

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