

# Annual Report & Financial Accounts

for year ended 25 January 2025



The Future

HALF PRICE

WE ARE SOCIAL CHANGEMAKERS  
Scotmid coop

Scotmid

coop

COMMUNITY CONNECT  
WINNER

semichem

Turnover  
£429.4m

Comparable  
trading profit  
£4.3m

Net assets  
£127.2m



Scotmid 

**OUR CORE PURPOSE:**

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

Winter Giving campaign  
donated to local  
foodbanks, community  
pantries and hubs.

'Spirit of Cooperation'  
Lifeboat purchased  
through fundraising  
for RNLI.

Community Connect  
Scheme awarded £168k  
shared between 24  
good cause groups.

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## Advisors and Registered Office

### Independent Auditor

Anderson Anderson & Brown Audit LLP

### Bankers

Barclays Bank plc

### Solicitors

Anderson Strathern WS

### Registered Office

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

Society Registration Number SP2059RS

# Board Directors & Management Executive

## Board of Directors



Eddie Thorn  
**President**



Andrew  
Clark Hutchison



Iain Gilchrist



Kaye Harmon



Keith Kelly



Michael Ross  
**Vice President**



Richard McCready



Sharon McSorley



John Mills



David Paterson



Andy Simm



Brian Weddell

## Management Executive



Karen Scott  
**Chief Executive  
Officer**



Craig Strachan  
**Chief Financial  
Officer**



Brian Boyle  
**Chief Operating  
Officer - Retail**



Margaret Anne Clark  
**Chief Operating  
Officer - Services**

## OVERVIEW



### The Directors are pleased to present their report for the financial year ended 25 January 2025.

Scotmid produced a solid result for the 52 weeks ended 25 January 2025, despite challenging trading conditions and economic headwinds. The Society's like-for-like trading profit for the year was £4.3m, which is in line with the prior year result. In September 2024, Fosters Funeral Directors was acquired. This exciting acquisition expands geographical reach and market share for the funeral division. While energy prices and overall inflation eased off in the year, Scotmid's retail divisions were still faced with a persistent cost-of-living crisis, low consumer confidence and a wet Scottish summer which all depressed retail performance. In a tough trading environment, our colleagues worked relentlessly to grow turnover by £4.5m to £429.4m and increase net assets to a record level of £127.2m after tax, pension and property revaluation movements.

Scotmid food was up against significant challenges during 2024/25, with reductions in energy costs more than offset by increases in labour, wastage, new member-pricing discounts and other market inflation. Low consumer confidence due to the cost-of-living crisis required careful management of margin targets and volumes. Semichem was particularly impacted by reduced footfall on high streets and in shopping centres making for a tough year, although a successful Christmas helped. Property performed well, driven by good commercial lease renewals and rent reviews, as well as residential rental growth. Scotmid Funerals experienced a reduction in funerals and average values

due to a lower death rate and an increase in direct cremations.

The Society's core purpose was delivered through funding distributed by the Membership and Community team. Erskine, supporting veterans, as well as Jamieson Spatial Laboratory were each awarded substantial donations. Other significant contributions were made to several good causes alongside the Winter Giving campaign. Community Connect awards were again presented at the AGM and OGM. The Society proudly fundraised and launched a new Atlantic 85 lifeboat, The Spirit of Cooperation, in charity partnership with the RNLI. Maggie's was named as Charity Partner for 2024/25, heralding a year of fundraising to support those affected by cancer.

2024/25 was another year of challenge with many market and economic factors presenting headwinds for the Society, its customers and members. This resulted in reduced consumer confidence with knock-on effects on footfall and propensity to spend in-store. However, Scotmid again rose to the challenge delivering a trading profit in line with last year and an increase in net assets, despite the tough trading conditions and cost increases. The Society continues to have a solid foundation in its balance sheet and a fantastic cohort of colleagues who remain steadfast in driving Scotmid forward to allow us to continue to fulfil our core purpose as we have done for the last 165 years.



## FOOD RETAIL

The food retail sector faced significant challenges in 2024, largely due to external factors. High interest rates, change in the UK government, and various geopolitical crises all impacted the economy, which in turn affected consumer confidence and discretionary spending. While energy prices stabilised, many households still faced tough decisions, leaving them with less money to spend. Despite these pressures, Scotmid food saw an increase in sales, though customer transactions declined with less frequent store visits. Several factors contributed to this, including reduced discretionary spend, lower-than-expected sales from events like the Euros, the lowest number of sunny summer days in a generation

and the impact of Minimum Unit Pricing. To counter these challenges, Scotmid focused on 'Everyday Value', Food to Go growth, Community Connect member pricing, and local sales opportunities.

The food division faced substantial cost pressures, including staff cost increases following the National Living Wage uplift from April. However, improved productivity and staffing level management to align with sales limited total cost rises. Energy costs reduced year-on-year due to global market changes and early hedging, although these remain high when compared to historic charges. Other cost increases included IT expenses, business rates, customer discounts (including new member costs), and buying



Opposite page: The interior of the newly refurbished Ferry Road store in Edinburgh. Top: The Scotmid's Scottish Favourites competition to find exciting new local producers. Above: Ferry Road Store. Above right: The new member pricing scheme.

levies. On the flip side, there was a reduction in credit card transaction fees with the change of provider completed in the year.

Investment in food stores saw a major refit at Ferry Road along with F-gas refrigeration works at Law, Coupar Angus and Raigmore. Food to Go was further upgraded with 19 stores refreshed during the year alongside investment in new counters and equipment. Store re-branding saw 8 stores updated with new fascia. The 'myScotmid' workforce management system was also successfully launched. The replacement of till systems commenced in 2024 with new tills and self-scan equipment installed in half of the estate. After an intense period of

development, central food teams have deployed a new merchandising and ranging system with the aim to develop store specific plans and ranges to best meet customer demands.

Several stores began offering evening Food to Go via Just Eat, while the Snappy Shopper offer continues to develop. The Ballantrae store was recognised as the Small Store Convenience Store of the Year at the Convenience Awards in Manchester, while the division received the "Food to Go Retailer of the Year Multiple Convenience" award at the Retail Industry Awards. In May, all store managers attended the Food Conference at the Glasgow Science Centre, marking the first in-person conference in over five years.

# semichem



Above: Nairn store, which benefitted from a refurbishment. Right: Christmas marketing leaflet.

"Semichem experienced a strong sales performance towards the end of the Christmas period, driven by robust fragrance sales."



# SEMICHEM

Like the food sector, the non-food retail industry faced several challenges in 2024. External factors such as the cost-of-living crisis, high interest rates and geopolitical crises significantly impacted the economy, reducing consumer confidence and discretionary spending. High street retail continued to struggle, with several competitors closing stores as footfall declined, further affecting Semichem's results. Energy prices, though stabilising, remained high, and many households were forced to make tough budgeting choices, resulting in less money for non-essential purchases. Despite these difficulties, Semichem experienced a strong sales performance towards the end of the Christmas period, driven by robust fragrance sales.

In the face of a challenging economic environment, Semichem's price cut campaign and Mega Deals, supported by radio promotions, have played a vital role in boosting sales and enhancing customer offer. Event-driven sales, such as those for Valentine's Day, Mother's Day, and Father's Day, have proven successful, although

summer promotions were impacted by unfavourable weather conditions. Christmas, the key trading period for Semichem, was successful with growth for the division bucking some market trends. Costs remain high for Semichem with increases in staff costs and historically high, although easing, energy charges. Adjustments in warehouse operations and effective management of store hours have helped limit the year-on-year cost increases while service levels from the Semichem warehouse remained high throughout the year.

The Semichem store portfolio was strengthened by acquiring the freehold of the Thurso store. The Nairn store benefitted from new fascia and branding. Additional store improvements were completed including flooring upgrades, installation of energy efficient LED lighting and new air conditioning systems. The successful implementation of the myScotmid workforce management system in July further contributed to operational efficiency.



# FUNERAL



Scotmid Funerals conducted fewer funerals in the year due to a lower death rate recorded across Scotland and a marginal decrease in market share. The proportion of direct cremation funerals rose against last year, driven by increased public awareness, further advertising spend by online providers and the cost-of-living crisis. Despite this continued shift to lower priced funerals, sales remained resilient.

There were more funeral plans written in 2024/25 with Scotmid customers planning for the future. Scotmid Funerals continues its work with Ecclesiastical Planning Services to offer regulated services to clients, with a variety of package and bespoke plans available online and in funeral offices. Alongside Ecclesiastical,

advertising campaigns have been launched on radio and digital, including social media and Google search.

In September 2024, Scotmid acquired Fosters Funeral Directors; adding 24 funeral offices and a business which is fully authorised by the FCA to create and write its own funeral plans. This transformational acquisition expands Scotmid's funeral network across the whole of the Central Belt of Scotland and significantly boosts market share in Scotland alongside bringing a skilled set of colleagues into the Scotmid family.

Integration plans for Scotmid Funerals and Fosters is underway with both sets of colleagues working with trade bodies on new regulation while continuing to offer the best possible service to their clients.

**"In September 2024, Scotmid acquired Fosters Funeral Directors; adding 24 funeral offices and a business which is fully authorised by the FCA to create and write its own funeral plans."**

# PROPERTY



Opposite page:  
Fosters Funeral  
Directors, acquired  
by the Society in  
September 2024.  
Opposite page: An  
example of recent  
targeted social  
media advertising for  
funeral plans.  
Above: A unit of the  
large warehouse  
at Newbridge  
adjacent to our Head  
Office was one of  
many properties  
that underwent  
a successful rent  
review.

The Property division posted a strong result for the year, driven by improved rental income from commercial and residential properties through new lettings, lease renewals, and rent reviews. Bad debts again remained low. Market conditions for the commercial sector improved in the second half of the year, showing modest tightening of commercial yields after a difficult two years. The residential market saw modest growth and a significant increase in volumes.

Commercial rental income grew year on year, driven by rent reviews and new lettings. There were no commercial property acquisitions during the period, but the portfolio benefitted from income generated by letting small surplus trading freeholds transferred from the food and funeral divisions. These additions offset the impact of lost rental income from the sale of three small non-core properties.

Residential rental income improved most significantly year on year. Market rental values increased in the first half of the year but flattened by the end of the second half. Due to the impact of temporary rent controls in Scotland, the division continues to catch up to full market rental value on vacant re-lettings. Investment continued in residential holdings to ensure properties are well-presented and generate full market rents, with six properties undergoing internal refurbishments. In addition, preparatory tendering work was done for the first phase of external refurbishments at a core residential holding in Edinburgh.

Despite continued tough economic conditions, the Society's property portfolio benefitted from an increase in revaluation at the year end. This was driven mainly by strong rent reviews and re-lettings of commercial properties. Residential property values increased slightly during the year, mainly driven by core Edinburgh holdings.

# SOCIETY MATTERS & CENTRAL SUPPORT



Scotmid's overall surplus before tax was £4.5m, which is an increase of £4.4m vs 2023/24. With trading profit in line with last year's result before consolidation of Fosters, the Society benefitted from profit on disposals of fixed assets which were offset by increases in exceptional costs and higher interest charges with hedging in place unwinding. Property revaluation at January 2025 yielded a positive increase in values by £3.3m due to general stabilisation of market conditions, and some positive lease renewals and rent reviews. Market conditions and future actuarial assumptions resulted in a reduction in the pension deficit by £5.6m. Corporation tax shows a charge to the P&L of £1.7m with another capital allowances review increasing deferred tax liabilities, but reducing current tax. As at 25 January 2025, the Society's net assets increased to £127.2m, an improvement of £6.4m from 2023/24 year end. Society

net debt increased by £1.6m to £23.7m following the acquisition of Fosters in the year.



The rollout of new tills and self-checkouts was a major programme for our Change, Make It Simple and IT teams during the year.

Scotmid continues to hold complementary diversification investments in Product Guru and The Start-Up Drinks Lab. Product Guru continued to operate its hybrid business model, offering both in-person and digital events, and reported turnover growth in a year where the company also raised a modest amount of investment capital. The Start-Up Drinks Lab appointed a new MD in August 2024 and faced a challenging end to the year. The business closed the year with a pivot away from manufacturing services and a focus on higher margin and lower-risk agency services.

The People & Performance team engaged with GroceryAid, to become Scotmid's employee support partner, and Wagestream; helping colleagues manage, save, and access their earnings



Above: Graduates of the 2024 Grow Programme with central support staff at Hillwood House. Below: Scotmid received the Outstanding Contribution Award at the 2024 Retailers Against Crime conference, in recognition of the Society's efforts in combatting retail crime.

with ease. MyScotmid was utilised to carry out a first 'all staff' survey seeking feedback on the wellbeing support available to colleagues. The Grow Aspire Programme continues to develop future managers, with 28 candidates on the 2024 programme. Additionally, the Wellbeing Team grew communication and engagement with all employees introducing wellbeing podcasts featuring a variety of partners discussing the types of support available and how to access it. Staff wellbeing events were also well attended and raised funds for our charity partners, including walking football, netball and bowls.

The Change and Make It Simple, and IT teams rolled out a programme to upgrade tills and new self-checkout hardware in 90 stores, enhancing



efficiency, security and customer payment choice. The myScotmid project was also finalised to launch workforce management, which has transformed core HR processes. IT activities across retail comprised the rollout of new Verifone card payment devices in stores and a refresh of staff headsets.

During 2024, the Finance team led the refinancing of the Society's debt facilities, transitioning to Barclays as Scotmid's primary banking partner. The Profit Protection team continues to support our stores and communities in response to rising crime with various prevention initiatives. Sustainable investments saw LED refits finalised in food stores and a trial of voltage optimisation technology to manage electricity usage.



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

# MEMBERSHIP DEVELOPMENT COMMUNITY & CHARITY ACTIVITY



## Membership Development Community & Charity Activity

The Society remains dedicated to its core purpose of serving its communities and improving people's everyday lives by providing extensive financial and practical support.

Over 1,100 good causes were supported in 2024. Member votes allocated £168,000 in Community Connect funding to 24 shortlisted groups at the general meetings, empowering local organisations.

Support continues for young changemakers in Scotland through the 'Changemaker Fund' with Social Enterprise Academy, as well as for the Scotmid Community Orchard project, which is taking root across communities.



The Society announced a 12-month commitment to support the Scottish Grocers' Federation Healthy Living Programme's Welby Breakfasts initiative. The partnership will ensure that more than 4,600 children in high-deprivation areas start their day with a nutritious meal, benefitting 16 primary schools within Scotmid communities.

In addition to in-store offers, members have enjoyed exclusive events supporting charities and good causes, such as winter crafting and health-based webinars. These activities aim to unite members, support worthy causes, and enrich the membership offer.

Above: The naming ceremony for the 'Spirit of Cooperation' RNLI Lifeboat purchased through fundraising by the Society.  
Inset left: The Changemaker Fund continues to allow school pupils to start social enterprises.  
Opposite page top: The launch of the charity partnership with Maggie's.



## Other Community and Charitable Activities

Scottish veterans' charity, Erskine, received a £50,000 donation. This funding will replace all beds in one wing of their Bishopton residential home, provide 28 new beds in Edinburgh, and furnish social rooms for the new Erskine Veterans Activity Centre North in Moray.

The Winter Giving project saw £50,000 donated across 110 local food banks, community pantries, and hubs; providing vital assistance to those in need. Christmas Giving Trees were well supported, ensuring that children would not be without a gift during the festive season. Social Bite again received ingredients for Christmas lunch, helping to spread warmth and goodwill.

The Disasters Emergency Committee (DEC) received a donation of £10,000 for the Middle East Humanitarian Appeal. This funding will support DEC's efforts in Gaza and Lebanon, where millions of people are displaced due to ongoing conflict. In Gaza, the funds are being used to provide families with emergency shelters, personal items, and hygiene kits. In Lebanon, the donation helps deliver essential supplies like mattresses and blankets to overcrowded shelters. This contribution will continue to support vital aid efforts as the situation evolves.

The Society proudly fundraised and launched a new Atlantic 85 lifeboat with the RNLI as part of 2023/24's Charity Partnership. The 'Spirit of Cooperation' will enhance the charity's relief fleet capabilities and support their life-saving work

Scotmid's 2024/25 charity partner is Maggie's, who offer free support to those affected by cancer. The partnership not only raises funds but also spreads awareness and educates on important topics like 'Cancer in the Workplace.'

## Political Donations

Donations to the national Co-operative Party amounted to £46,473 and the Scottish Co-operative Party of £16,250.

## Appreciation

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

Eddie Thorn  
**Society President**

# COMMUNITY CASE STUDIES

## Cooking Up Christmas

Since 2018, the Society has been proudly supporting the Social Bite Village in Edinburgh each year by delivering all the essential ingredients needed to prepare their Christmas lunch. This long-standing partnership has been part of the Society's commitment to helping those in need during the festive season.

Social Bite Village is a unique initiative in Edinburgh aimed at providing temporary accommodation and support for people experiencing homelessness. The village consists of small, sustainable, and fully equipped homes, offering individuals a safe space to rebuild their lives. In addition to accommodation, the village provides access to a range of support services, including mental health care, employment opportunities, and life skills training.

Social Bite Village plays a vital role in helping vulnerable individuals transition out of homelessness and into stable, independent living, while also raising awareness about homelessness and the importance of community support.



## Fire Service Delivers Life-Saving Lessons

The Scottish Fire & Rescue Service (SFRS) has relaunched an initiative aimed at teaching young children vital safety lessons through specially designed Education Boxes funded by Scotmid. The boxes, being distributed to Early Years Settings across Perth and Kinross, introduce children to the important concepts of road safety, water safety, fire safety, and healthy eating in an engaging and interactive way.

Five boxes are being distributed, each setting keeps the box for approximately two weeks before it is collected by the Fire Service. On the day of collection, a member of the Fire Service delivers an engaging, in-person "People Who Help Us" talk, further reinforcing the important lessons learned.

Asha Lal, Community Safety Advocate with the SFRS Community Action Team, added: "These Education Boxes provide an excellent opportunity to teach young children essential safety lessons in a way that is both enjoyable and informative. We are delighted to be able to offer these resources to Early Years Settings in our community."

The SFRS initiative underscores the importance of safety education for young children and highlights the role of local partnerships in ensuring that children are equipped with the knowledge they need to stay safe in everyday situations.





## A Defib for Darcy's

The Society donated £1,000 to Darcy's Equine Assisted Learning Centre, a non-profit Community Interest Company (CIC) located in South Lanarkshire. This contribution helped the centre purchase a publicly accessible defibrillator, ensuring that both the centre and the surrounding community have access to life-saving equipment in the event of an emergency.

"Our young volunteers raised funds towards a defibrillator, and Scotmid's donation made it possible. This defibrillator benefits both our site and the local community," said Eileen Mathieson, the founder of Darcy's Equine Assisted Learning Centre CIC. "We are extremely grateful for this support, which will contribute to the safety and well-being of everyone who visits our centre."

Founded in 2017, Darcy's offers a distinctive approach to addressing youth mental health challenges through horse-based interventions. The centre's unique programs are designed to help young people build resilience, improve emotional well-being, and develop essential life skills. Their work with horses provides therapeutic benefits, fostering connection, trust, and emotional growth in a natural and supportive environment.

## Crafters Bring Creativity and Connection to the Community

Rookhope Crafters, based in Rookhope Village Hall, is a friendly local art and craft group open to all. Regardless of skill level, everyone is welcome to join the group to work on creative projects such as painting, knitting, weaving, and more, while enjoying a cup of tea and a chat. They meet twice a week and encourage creativity and social connection. Rookhope Crafters received £5,000 Community Connect funding, which will go towards buying supplies, supporting new projects, and helping the group continue its valuable work in the community.

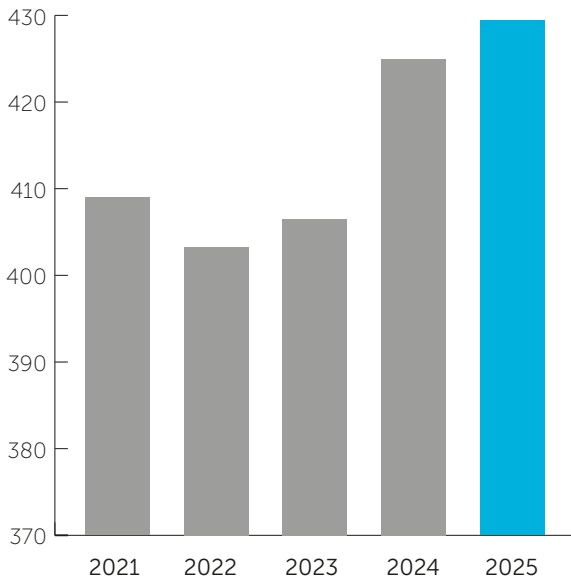
Leanne Bain from Rookhope Crafters said: "We are over the moon to receive this funding from Lakes & Dales Co-op. It will make such a difference to our group, allowing us to buy new materials and run more projects. Our sessions are a lifeline for many people in the community, providing a space for creativity and social connection, and we're excited to continue bringing people together. Thank you to all those that voted for us and supported our application."



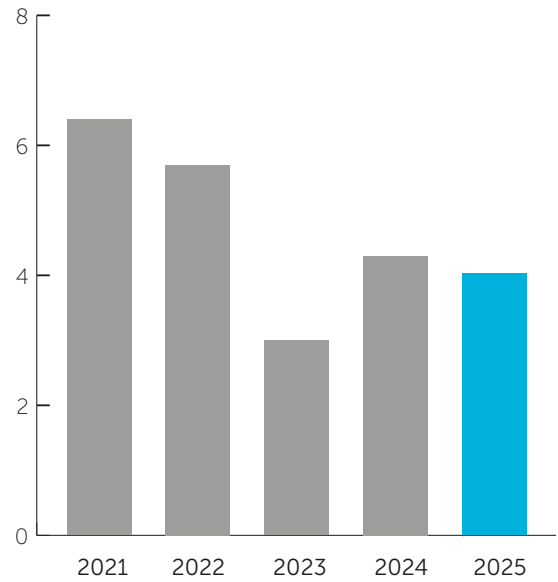
# Group Five Year Summary

	2024-25	2023-24	2022-23	2021-22	2020-21
	52 weeks	52 weeks	52 weeks	52 weeks	53 weeks
number of members	177,529	159,989	159,391	158,155	156,603
	£000	£000	£000	£000	£000
turnover	429,413	424,938	406,482	403,276	409,084
trading profit	4,033	4,283	3,032	5,708	6,416
operating profit	7,448	2,797	3,006	7,439	4,623
surplus before taxation	4,508	110	1,759	6,530	2,836
surplus for the financial year	2,831	118	1,030	4,235	1,339
depreciation and amortisation	11,409	11,251	10,945	9,855	9,536
net finance costs	2,227	2,075	643	301	1,141
purchase of fixed assets	8,645	7,276	21,874	12,801	9,433
fixed assets	170,741	165,749	171,690	180,998	174,310
net current (liabilities)/assets	(1,161)	696	(252)	(2,327)	5,314
total assets less current liabilities	169,580	166,445	171,438	178,671	179,624
less long term liabilities	(32,121)	(31,286)	(35,361)	(43,153)	(49,189)
less provision for liabilities and charges	(9,773)	(8,223)	(8,428)	(5,188)	(2,823)
less pension liability	(468)	(6,111)	(5,188)	(17,608)	(24,759)
net assets	127,218	120,825	122,461	112,722	102,853
share capital	6,294	6,208	6,223	6,200	6,181
revenue reserves	76,389	73,289	73,287	65,291	58,222
non-distributable reserve	44,535	41,328	42,951	41,231	38,450
shareholders funds	127,218	120,825	122,461	112,722	102,853

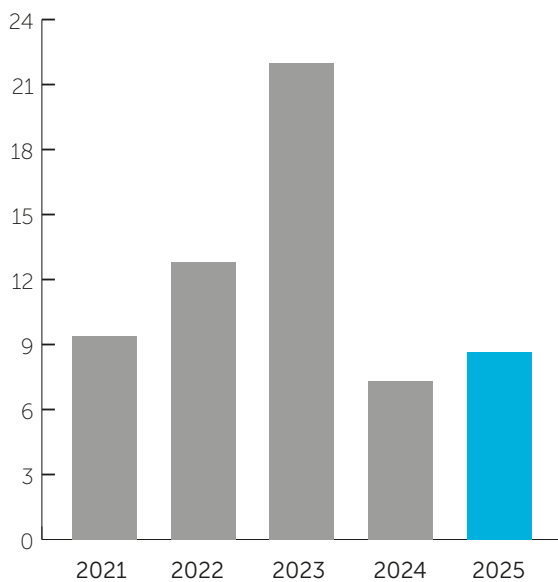
### Turnover (£ millions)



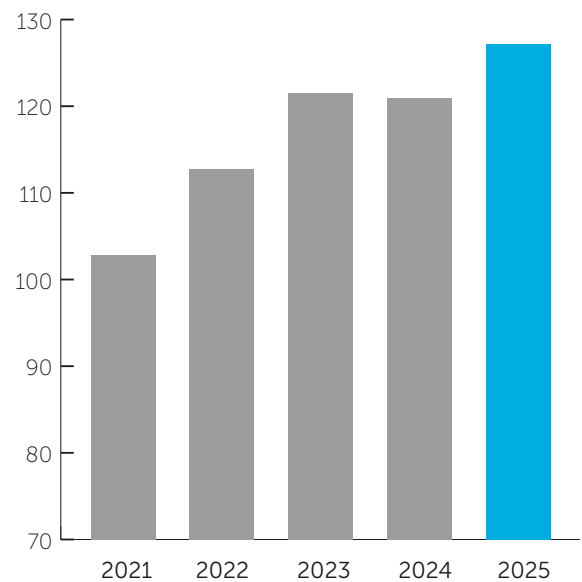
### Trading profit (£ millions)



### Purchase of fixed assets (£ millions)



### Net assets (£ millions)



# Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the income and expenditure of the Group for that period.

In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial

statements comply with the Co-operative and Community Benefit Societies Act 2014. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

## Going Concern

The Society's business activities, together with the factors likely to affect the future development, performance and position of the Society, are set out in the Directors' Report on pages 3 to 13. The Board remains satisfied with the Society's funding and liquidity position. The Society meets its funding requirements through a combination of a revolving credit facility and an overdraft facility. The overdraft facility is renewable annually and the Directors expect this renewal to take place in the normal course of business. The Board has undertaken a thorough review of the Society's financial forecasts and associated risks. These forecasts extend beyond one year from the date of approval of these financial statements and show that the Society will continue to operate within the terms and financial covenants of its bank facilities. Further details on going concern are provided on page 32.

# Governance Report

## Co-operative Governance Code

The Society has adopted the Co-operatives UK Co-operative Corporate Governance Code (the "Code"), which is based on the principles contained in the UK Corporate Governance Code. The Code sets out "principles that all Co-ops can reflect upon and use to encourage and enable good governance practice" and operates on a comply or explain basis. The Society substantially complies with the Code but in the limited number of cases where the Society adopts an alternative approach an explanation is provided below. Board Committee Terms of Reference are in-line with the guidance issued by Co-operatives UK and are reviewed when new guidance or updates to the Code are made available.

Set out below are the significant policies, recommended disclosures or alternative Society practices that are relevant to each of the six sections of the Code and are not covered elsewhere in the Annual Report:

### 1) Member Voice, Participation and Engagement:

The Board has considered various methods to encourage member participation at meetings. Biannual member meetings are held in the Society's three regions to encourage attendance and make meetings more accessible to members. The location of meetings in the north region of the Society, which covers the largest area, rotates from meeting to meeting to maximise members' opportunity to attend. Members registered to attend the regional meetings receive an information pack either electronically or by post prior to each meeting that provides further details of the agenda items. In addition, a video montage of updates

on awards given to supported Community Connect groups and funding donated to local communities throughout the year are made available both before and after the meetings.

### 2) Co-operative Leadership and Purpose

#### a) Democratic Governance:

The democratically elected Board sets the Society's strategic objectives, taking into consideration co-operative values and principles, and works closely with the Executive Management team to monitor progress against those objectives. It regularly considers proposals, reports and presentations from all business functions detailing investment opportunities and their associated risks, and considers recommendations from the Executive Management team. On an annual basis the Board considers the trading outlook for the following year and adjusts its strategic focus, if necessary, to ensure the long-term sustainability of the Society.

#### b) Member Value Statement:

The Society operates businesses that provide members and customers with goods and services and then invests surplus funds back into local communities. Members derive value from their ownership of the Society and through the democratic process, by making decisions on how the Society is run and how surplus funds are distributed. Local community groups are supported through the Community Grant and Community Connect schemes and members, customers and colleagues actively support and fundraise for the Society's charity of the year. Members receive regular Society updates

via the 'Jigsaw' magazine and are encouraged to attend members' meetings and participate in the democratic organisation of the Society. Members are encouraged to trade with the Society and regularly receive rewards and incentives.

#### c) Long Term Sustainability:

The Board updated the Society's Blueprint & Vision long-term strategy in December 2021. The Blueprint includes a clear and well-communicated core purpose for the Society (to serve our communities and improve people's everyday lives). The Society operates using co-operative values and principles and through the support of our members is able to take a longer-term view on the development of our businesses to ensure long-term sustainability. Our core businesses operate in very competitive markets but provide for essential needs such as the provision of food. The Society adopts a continuous improvement approach, and our forward strategies consider and take account of market developments underpinned by the core underlying member/consumer need. In addition, the Society operates a diverse range of businesses to balance risk, and through our complementary diversification strategy invests in and explores other new opportunities for development.

#### d) Society Culture:

The Society's Blueprint & Vision includes a long-term strategy for the development of the Society's culture. The general aim of the strategy is to build on our strengths with a friendly environment where colleagues can challenge, have self-responsibility and be proud to work for the Society. The four ethical co-operative values of honesty, openness,

# Governance Report continued

caring and social responsibility underpin this culture. Within the Society, culture development is facilitated and monitored by our People & Performance specialist team. There are also four Board approved pillars that support the wider development of our culture that focus on team, innovation, can-do and co-operative spirit.

## 3) Roles and Responsibilities

### a) Board Accountability:

As a result of the Society's two-tier governance model, members are elected to Regional Committees and from there can be nominated to serve as a director on the Board. Both Regional Committee members and directors are elected by members at the Society's AGMs. All elected members represent members at their Regional and Board meetings. They regularly receive trading updates, presentations from various parts of the business, reports on membership matters and from the wider co-operative movement. As such, the elected Regional Committee members hold the Board to account.

### b) President Term of Office:

Under the Society's Rules the current President, who was elected in May 2024, will be eligible to serve for a maximum of 6 years in the role, as recommended in the Code. The previous President retired at AGM 2024 having served 1 year in the role.

### c) Timing of Board Paper Distribution:

The Board regularly reviews its working practices and is satisfied that the timing of Board paper distribution, which is undertaken electronically, is appropriate to the nature of documents to be considered.

## 4) Board Composition, Succession and Evaluation

### a) Board Succession:

The Board is satisfied that the Balanced Board approach to succession planning adopted in 2014 best meets the needs of the Society and therefore has decided to retain this approach rather than adopting the maximum of three consecutive terms of three years as recommended in the Code. It views the Balanced Board approach as one which enables the Society to retain the skills and knowledge of longer serving directors, while balancing this with the independence of thought and approach provided by newer directors.

### b) Member Training:

A comprehensive induction and training programme is offered to all directors and Regional Committee members each year covering a variety of topics which includes training specifically for elected members preparing to join the Board. The training offered is based on the results of the annual evaluation process together with feedback from directors and Regional Committee members. Each Regional Committee member must undertake specific core training should they wish to progress onto the Board. During the year in-person training was provided on core topics including Finance and Co-op Values and Principles, as well as bespoke sessions offered on the challenges facing Retail co-operative societies in the 21st century.

## 5) Risk, Financial Management and Internal Control

### Audit Committee Financial Experience:

The Chair of the Audit Committee is a Fellow of the Chartered Banker Institute which the Board considers to be appropriate financial experience. All Directors are elected by the members and are drawn from the Society's trading areas. They are appointed to a Board Committee according to their skills and experience, and collectively have a range of knowledge and competence relevant to the Society's operations.

## 6) Remuneration of the Board and Executive Leadership

### Remuneration Disclosure:

The total remuneration and the salary bandings of the Chair, Chief Executive Officer and members of the Executive Management team are shown in the Notes to the Accounts which is considered to be appropriate disclosure.

## Membership Matters

As a member-owned democratic organisation, the Board recognise the importance of encouraging members to play their part in the governance of the Society and to improve membership participation. Membership matters including membership strategy and development are the responsibility of the Search Committee. The membership team promote recruitment, organise membership events and communicate with members.

Details of the membership activities undertaken during the year are contained within the Directors' Report on pages 3 to 13.

## Regional Democracy

Members are currently represented across three Society Regions (North, East & West). Regional members' meetings are usually held in each region and advertised in our stores, on our website and by email. Three in-person regional members' meetings were held in both April 2024 and October 2024 at which regional democratic matters and Society-wide topics were considered.

Each region is represented by a Regional Committee, and members who meet the qualifying criteria are elected to the Regional Committees by the membership at the members' regional meetings. Regional Committee members are elected to serve on the Committees for a period not exceeding three years after which they may stand for re-nomination with elections held at the Annual General Meeting in their region. Regional Committees are also responsible for the nomination of Directors, from within their Regional Committee, who are elected by members to represent the members from that region. Uncontested elections were held for Regional Committee places in each of the regions at AGM 2024. On an annual basis each Regional Committee conducts an annual planning and evaluation review with recommendations discussed by the Search Committee.

The Board aims to develop the Society's democratic representation in the Lakes & Dales area. Until an alternative structure is in place, members from the former Penrith Society are part of the West Region and members from the former Seaton Valley Society are part of the East Region. Members from those areas are eligible for nomination and election to serve on the West and East Regional Committees respectively, representing members from the Lakes & Dales area. A Lakes & Dales Panel has also been

established and met during the year to allocate Community Grants to groups in that area and to shortlist good cause groups eligible for Community Connect awards.

## Board's Role

The role of the Board and details of the Directors' roles and responsibilities are contained within the Society's Rules which were updated at OGM 2024 and are available to all members on the Society's website or on request. The Board is responsible for determining the Society's strategy in consultation with the Executive Management team. It is responsible for monitoring the delivery of that strategy by management and identifying and managing risk. Given the distinctive nature of co-operative societies, the Board has a duty to ensure that the Society acts as a bona fide co-operative and adheres to the co-operative values and principles set out by the International Co-operative Alliance.

All Directors are collectively responsible for the success of the Society, are equally responsible in law for the Board's decisions and are bound by an overriding duty to act in good faith in pursuit of the best interests of the Society as a whole. The Directors have a Code of Conduct which, together with Standing Orders, covers their duties and responsibilities. The Code of Conduct was reviewed in 2022 and the Standing Orders are updated annually.

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

Directors are nominated by Regional Committee members and elected by members from the Regions they represent. Two

Directors are employed by the Society and there are no recently retired employees on the Board.

## Internal Control Framework

The Board is ultimately responsible for the Society's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Code requires Directors to maintain robust and defensible risk management and internal control systems and to regularly review their effectiveness. The review covers all material controls including financial, operational, compliance and risk management systems. The key elements in the Society's adopted internal control framework which are considered to be appropriate to the current size and complexity of the Society are as follows:

### Control Environment

The Society is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. The Society has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Society objectives. There are clear lines of responsibility, delegations of authority and reporting requirements.

### Information and Communication

The Society undertakes periodic strategic reviews which include consideration of long-term financial projections and the evaluation of business alternatives. Annual capital and revenue budgets are approved

# Governance Report continued

by the Board. Trading performance is actively monitored and reported to the Board on a regular basis. All significant capital projects and Society acquisitions require Board approval. Through these mechanisms, Society performance is continually monitored, risks identified in a timely manner, the financial implications assessed, control procedures re-evaluated, and the corrective actions agreed and implemented.

## Board Committees

There are four standing Board Committees, three of which have terms of reference as recommended in the previous Code: Audit, Remuneration and Search. There is also a General Purposes Committee which is responsible for addressing general matters not specified in the terms of reference of the above committees.

## Audit

The Audit Committee is responsible for the oversight of internal and external audit and monitoring the integrity of financial reporting, internal controls and risk management. The Audit Committee currently consists of four Directors, and it met three times in 2024. The President is not a member of the Audit Committee.

The Society has an Internal Audit Department reporting directly to the Chief Executive Officer. An annual report for 2024-25 has been produced and the audit plan for 2025-26 has been agreed with the Audit Committee. Any control weaknesses identified are highlighted to management and the Audit Committee which monitors Internal Audit activity and ensures that appropriate actions are taken.

The current terms of reference for the Audit Committee include the following responsibilities:

- Consideration of the appointment of the external auditor and the scope of the audit;
- Review and approve the external auditor's annual plan;
- Review of the financial statements and auditor's management letter;
- Review the findings in the external auditor's report with the external auditor;
- Review of the internal audit programme and internal audit reports;
- Review of the effectiveness of the Society's internal controls and risk management systems;
- Review of the arrangements and procedures for whistleblowing; and
- Report formally to the Board on the Audit Committee's proceedings and make such recommendations to the Board as deemed appropriate.

The Board and Executive Management team are responsible for the identification and evaluation of key risks applicable to the Society. These risks may be associated with a variety of internal or external sources, including control breakdowns, credit and liquidity risks, disruption of information systems, competition, natural catastrophes and regulatory requirements. Risk registers are maintained which highlight the likelihood and impact of risks occurring and indicate if the level of risk is increasing or reducing. These registers are updated at least twice a year and actions necessary to mitigate those risks are considered. The risk registers are consolidated

onto a risk assurance map. This process enables resource to be focused on key risk areas, helping to prioritise activities. The Audit Committee reviews the risks facing the Society twice a year to determine if adequate controls are in place.

## Remuneration

The Remuneration Committee consists of four directors, none of whom are employees or has a paid contract to deliver services to the Society, recently retired employees or the President of the Society. The committee is proportionate to the size, complexity and risk profile of the Society.

The Committee's role is to ensure that the levels of remuneration and contractual terms of Directors and the Executive Leadership team is appropriate and takes into account the responsibilities held and the size, complexity and risk profile of the Society's trading Divisions.

The Committee makes recommendations annually to the Board on Executive remuneration. External advice is provided to the Remuneration Committee by an independent advisor 'HR on Board Limited' to ensure that the remuneration is appropriate to the scale and scope of the business. Industry wide data is provided through the use of the Willis Towers Watson UK retail survey information.

The Remuneration Committee is also responsible for making recommendations to the Board for the level of Directors' and Regional Committee Members remuneration and expenses. Details of the remuneration of Directors and Management Executive can be found in Note 4 to the financial statements. The salary information in the bandings in



Note 4 provides appropriate disclosure of Board and Management Executive remuneration for Scotmid Society although not in the format recommended in Co-operatives UK's best practice.

## Search

The Search Committee is responsible for monitoring Board and Regional Committee effectiveness, member training, succession planning (Board, Board committees, CEO & Secretary) and oversight of the Society's membership development and community strategy. The Search Committee consists of four Directors.

The Board undertook an external evaluation in 2024 in which the individual and collective performance of the Directors and the Board was rated highly. The Search Committee will review the recommendations and potential next steps from the report and devise a suitable action plan to take forward.

The Search Committee continued to focus on developing and progressing the membership strategy and commitment to fostering a vibrant and engaged membership. The Committee also monitors the activities undertaken by the Membership and Community Team to achieve the strategy, modernise the membership offering and promote membership engagement.

The Search Committee is responsible for monitoring the balance of the board and for succession planning for the Board and its committees. The average length of service on the Board following AGM 2024 was 6 years, within the Society's 9-year balanced board policy. The Committee

reviewed the composition of the Board's committees and recommended the appointment of Sharon McSorley and John Mills, two newly-elected Directors on the Board, to the Search Committee and Remuneration Committee respectively. Kaye Harmon moved from the Search Committee to the Remuneration Committee. Following his election as President of the Society, Eddie Thorn was appointed as the Chair of the Search Committee and General Purposes Committee. He was replaced as the Chair of the Audit Committee by Andrew Clark Hutchison.

For and on behalf of the Board

Eddie Thorn  
**President**

Karen Scott  
**Chief Executive Officer**

Alan Yuille  
**Secretary**

27 March 2025

# Corporate Social Responsibility

## Introduction

As a Co-operative Society, we align our operations with core co-operative values and principles. Scotmid evaluates its performance against social responsibility indicators set by Co-operatives UK for comparison. Due to the variety in our operations, finding immediate metrics for every sector can be challenging. In these cases, we use estimates or data from our food convenience sector.

The Independent Family Funeral Directors Ltd (Fosters Funeral Directors) was acquired in September 2024, but indicators have not included this business as integration had not significantly progressed by the year end.

We are dedicated to advancing with a sustainable business model and have established firm sustainability policies. A comprehensive sustainability roadmap has been developed to guide us in achieving our carbon reduction targets by 2030, incorporating both new and existing initiatives.

Maintaining our co-operative ethos is fundamental to our approach to sustainability.

## Member Economic Involvement

Since the launch of 'Member Pricing' in stores, membership levels have risen at an unprecedented rate. Society members have a membership card that is used to vote for local good causes as part of our Community Connect initiative. This provides a snapshot of member economic involvement but is not a complete picture. Latest figures show that members who shop and present their card spend on average 30% more than the average customer spends.

In addition to exclusive in-store offers (member pricing), members

have enjoyed participating in events supporting charities and good causes, such as winter crafting and health-based webinars. On average, two events were delivered each month across the regions. All events are free for members to attend. These activities aim to unite members, support worthy causes, and enrich the membership offer.

## Member Democratic Participation

167 members (2023/24-162) attended the Society's Annual General Meetings held on 29 April, 30 April and 1 May 2024 and 151 members (2023/24 - 160) attended the Ordinary General Meetings held on 30 September, 1 October and 2 October 2024.

## Colleague and Member Training

This year, formal colleague training recorded is circa 23,700 hours (2023/24 - 20,500 hrs). 9,100 hours of e-learning were delivered which has increased on last year (2023/24 - 7,200 hrs). This variation can arise from normal fluctuations in the cyclical training plan and key elements of this year's plan have included training for the new till system and to support the introduction of our new people system. The Society's strategic aim is to continue to enhance digital learning as an approach.

Director and Regional Committee member training was delivered in person with a continued focus on increasing the variety of training sessions offered including new, bespoke sessions covering the challenges facing retail co-operative societies in the 21st century as well as core training topics including Finance and Co-operative Values and Principles. The total number of training hours was 317 hours (2023/24- 352 hours).

Training offered was well received and the number of training hours per elected member was 8 hours (2023/24 - 9 hours).

## Colleague Injury and Absentee Rates

Employee accidents recorded have remained level with 234 recorded this year compared to 233 in 2023/24. There were 10 RIDDOR reportable accidents involving colleagues compared to 12 in the previous year equating to 0.3% of the average total workforce. Non-RIDDOR reportable accidents amounted to 6.2% of average workforce with a combined total of 6.5% (2023/24 - 6.5%). We continually review accident statistics to identify trends and then issue updates and reminders to colleagues if we see any patterns developing.

Days of absence lost have stabilised at around 6.9 in the current year, which has dropped from the pandemic-generated peak, but has not fallen to pre-pandemic levels. This sits below the national average across all sectors of 7.8 days according to the Chartered Institute of Personnel and Development. We continue to focus on absence management and have developed our approach to colleague wellbeing which can prevent absence issues developing.

## Colleague Profile

The colleague profile by gender at the year-end shifted marginally to 64% female and 36% male with a 1% increase in male employees. This may reflect a broader shift in the marketplace.

Labour turnover has continued to improve and we run below industry averages. Encouragingly we are retaining more colleagues for over one year, again consistent with the profile pre-pandemic.

The ethnic mix of our colleagues tends to be broadly representative of the communities in which we operate, and traditionally our highest levels of ethnic minority colleagues are reported in our urban locations in line with national demographics. We are looking to utilise the reporting function of our new Human Resources system in the coming year to provide updated statistics in this area.

### Customer Satisfaction

We have not conducted customer surveys this year, however, we regularly monitor customer feedback to identify any issues we need to address. This is received via email, telephone or social media and provides narrative on where we can better service our customers. Our stores are the first point of contact in managing customer concerns and the centrally handled complaints have fallen in number by around 14% which shows the maturity of this process.

### Ethical Procurement

Around 90% of the Society's purchases for goods for resale in food are through the Co-operative buying group known as the Federal Retail Trading Services (FRTS). The Group remain committed to the principles of sound sourcing, animal welfare, food integrity, health and ecological sustainability and publish a sustainability report annually.

Procurement of products and services to the group is managed through a centralised procurement function which follows a standardised process and requires suppliers to adhere to the sustainable and ethical requirements of the Society. We have included our Modern Slavery Statement below.

### Investment in Community and Co-operative Initiatives

The Society remains dedicated to its core purpose of serving our communities and improving people's everyday lives by providing extensive financial and practical support.

In 2024/25, £633,000 was spent to support over 1,000 good causes which was in line with the prior year.

Member votes allocated £168,000 in Community Connect funding to 24 shortlisted groups. Significant donations were given to a range of causes detailed in the directors' report and community case studies.

The Disasters Emergency Committee (DEC) received £10,000 for the Middle East Humanitarian Appeal. This donation aids efforts in Gaza and Lebanon, providing emergency shelters, hygiene kits, mattresses, and blankets to displaced families.

The Society's year-long partnership with the RNLI raised £274,000 to buy a new lifeboat named "The Spirit of Cooperation". This lifeboat is part of the RNLI's relief fleet.

Scotmid's 2024/25 charity partner is Maggie's, who offer free support to those affected by cancer. The partnership not only raises funds but also spreads awareness and educates on important topics like 'Cancer in the Workplace.'

### Proportion of Waste Recycled/Reused

Our waste continues to be recycled through a range of different routes-with an estimated 1-2% ending in landfill. The majority of our waste is backhauled from our stores by the Coop group. Food waste is processed via anaerobic digestion where appropriate, which generates energy from the breakdown of the

product. We continue to work on initiatives to reduce overall food waste via our colleague giveaway process and the "Too Good To Go" app which allows customers to purchase packages of end of life food. The food industry in general is working on reducing packaging which is reflected in our overall waste figures.

### Modern Slavery Statement for Financial Year 2024-25

This statement is made pursuant to s.54 of the Modern Slavery Act 2015 and sets out the steps that Scottish Midland Co-operative Society Ltd has taken, and is continuing to take, to ensure that modern slavery or human trafficking is not taking place within our business or supply chain.

Modern slavery encompasses slavery, servitude, human trafficking and forced labour. Scotmid has a zero-tolerance approach to any form of modern slavery. The Society is committed to acting ethically and with integrity and transparency in all business dealings and to putting effective systems and controls in place to safeguard against any form of modern slavery taking place within the business or our supply chain.

### Our Business

Scotmid is Scotland's largest independent co-operative and has been at the heart of Scottish communities since 1859. Our businesses include Scotmid Co-operative, Lakes & Dales Co-operative, Semichem, Scotmid Funeral Directors, The Independent Family Funeral Directors Limited and our property division. The Society employs around 3,500 people in Scotland, Northern Ireland and the North of England in around 294 retail units and funeral sites.

*continues on page 27*

# Corporate Social Responsibility continued

## Streamlined Energy and Carbon Report

INTENSITY	2024-25	2023-24
All Scopes tCO <sub>2</sub> e per Colleague	2.24	2.24
% change	0.0%	2.3%

ENERGY USAGE (kWh)	Consumption (kWh - 000s)	Consumption (kWh - 000s)
Gaseous and other fuels (Scope 1)	4,255	4,547
Transportation (Scope 1)	1,929	1,795
Scope 1 Total	6,184	6,342
Grid-supplied electricity (Scope 2)	31,485	32,468
Self-generated consumption (Scope 2)	84	0
Scope 2 Total - Grid supplied Electricity	31,569	32,468
Scope 3 Total - Transportation	195	186
Total	37,948	38,996

LOCATION-BASED EMISSIONS	Consumption (tCO <sub>2</sub> e)	Consumption (tCO <sub>2</sub> e)
Gaseous and other fuels (Scope 1)	778	832
Transportation (Scope 1)	449	421
Scope 1 Total	1,227	1,253
Scope 2 Total - Grid Supplied Electricity	6,519	6,723
Scope 3 Total - Transportation	44	42
Total	7,790	8,018

The following figures show the consumption and associated emissions for this reporting year for our operations throughout the UK, with figures from the previous reporting period included for comparison.

**Scope 1** - consumption and emissions include direct combustion of natural gas, and fuels utilised for transportation operations, for example, company vehicle fleets.

**Scope 2** - consumption and emissions refer to indirect emissions related to the consumption of purchased electricity in day-to-day business operations.

**Scope 3** - consumption and emissions cover emissions resulting from sources not directly owned by us. This relates to grey fleet (business travel undertaken in employee-owned vehicles) only.

Energy usage overall has continued to decrease within the estate as a result of the additional and continued investment in both renewable and energy reduction technologies. The relatively static position of the intensity metric relates to a reduction in the headcount used in this measure.

Once again, we have chosen to report using location based reporting and will consider market based reporting in future.

The information presented has been created from actual source usage data for the year from all sites and all fleet use. Emissions data as per the above, is in line with location based reporting as per the current SECR requirements. Any identified gaps have been filled using comparative industry averages.

The ESOS (Energy Savings Opportunity Scheme) stage 3 submission was completed in the period and we are currently working on stage 4.

### Energy efficiency action

Scotmid Coop is committed to year-on-year improvements in its operational energy efficiency. A register of energy efficiency measures has been compiled, with a view to implementing these measures in the next five years.

In the current year we have completed the refit of LED lighting across all food stores. The Society then began revisiting the first phase of the project to implement newer replacement models, further improving energy savings.

We also extended the options for electric vehicles into our Society car fleet with many colleagues moving to electric vehicles during the years.

The Society will be signing as a Corporate Power Purchase Agreement (CPPA) partner early in the new year, securing 40% of its annual energy consumption for a ten-year period from renewal generated energy.

Scotmid Coop implemented voltage optimisation in eight stores to enhance load balancing and energy efficiency and the outcome is being closely monitored to assess the benefit of extending this further across the portfolio.

### Next steps to further reduce impact

During 2025/26 we are planning to install direct solar energy solutions across additional locations to enhance sustainability and reduce reliance on external energy sources.

We are also planning on extending our electric vehicle offering by increasing charging infrastructure availability and supporting further electrification of its fleet. This initiative will improve accessibility for customers, employees, and tenants.

The LED lighting refreshment programme will also continue, replacing older models with more efficient lighting technology to further enhance energy savings and reduce environmental impact.

Scotmid Coop will focus on Science-Based Targets initiative (SBTi) objective planning, setting clear and measurable sustainability goals to align with global climate commitments and reduce its carbon footprint.

As a co-operative society, Scotmid is owned by its members, who each have an equal say in how we are run. We are true to our co-operative values and principles, and we are committed to supporting our local communities through investment in community and co-operative initiatives.

We are incorporated in Scotland under the Co-operative and Community Benefit Societies Act 2014. Our registered address is Hillwood House, 2 Harvest Drive, Newbridge, Edinburgh, EH28 8QJ.

While none of our turnover is generated by overseas operations, we do acquire some of our products from overseas suppliers, principally for the Semichem business.

### Our Suppliers

Over the past 12 months the Society has used around 1,000 individual suppliers who provide the range of goods and services we require in our business.

In relation to our food business, approximately 90% of the products we sell in store are supplied by the Cooperative Group Limited, via a joint buying arrangement managed by Federal Retail and Trading Services Limited (FRTS) which represents Scotmid and a number of independent retail co-operatives. FRTS adopts The Coop Group's Modern Slavery Statement and Sound Sourcing Code of Conduct (SSC) which can be found at [www.co-operative.coop/ethics](http://www.co-operative.coop/ethics). The SSC sets out the workplace and employment standards that we expect of all our suppliers

FRTS suppliers are identified for audit using a risk-based approach determined by their responses to Sedex (Supplier Ethical Data Exchange) questionnaires, worker profiles, country of origin and sector analyses. Through this monitoring programme over 2,500 co-op

*continues overleaf*

# Corporate Social Responsibility continued

own-branded supplier sites are covered, comprising over 700,000 workers across six continents and 70 countries.

In addition to accessing products through FRTS, we directly manage a number of suppliers, for whom we carry out due diligence checks. Our standard Terms and Conditions seek undertakings and warranties that our suppliers comply with our ethical trading standards and with anti-slavery and human trafficking legislation. In addition, we conduct a credit check and online search of the supplier to ensure that the organisation is trading lawfully and without impediment. We routinely check our suppliers' compliance with relevant industry standards e.g. Safe and Local Supplier Approval (SALSA), which provides additional reassurance on trading standards. Our suppliers must agree to allow inspection of their premises if required. We may terminate the contract at any time should any instances of modern slavery come to light.

## Risk Areas

The signs of modern slavery can often be very subtle and difficult to identify. We recognise that while we cannot remove all risk of modern slavery in our supply chain, we must remain vigilant and continue to apply a risk-based approach to our suppliers. To this end, we continue to take steps through our due diligence and audit processes to ensure we understand areas of our Society and supply chain in which there may be a greater risk. We are committed to continuing to engage with suppliers to explore, further understand and discuss risks associated with modern slavery.

## Our Policies and Training

We operate a number of other internal policies to ensure that we are conducting our business in an ethical and transparent manner, and support this with relevant training where appropriate:

- Recruitment policy - we operate a robust recruitment policy; this includes conducting eligibility to work in the UK checks for all colleagues to safeguard against human trafficking.
- Whistleblowing policy and confidential whistleblowing helpline - informing colleagues how to raise concerns about inappropriate practices within our Society without fear of reprisal.
- Dignity and Respect at work policy and e-learning - ensuring all colleagues are treated with dignity and respect and understand their obligations and rights as an employee.
- Equal opportunities policy
- Wellbeing training
- People Management training

In addition, we provide support to all colleagues through our Employee Assistance Programme, which is a free confidential helpline service allowing colleagues to get advice on personal, home or work related issues.

## Our Performance Indicators

We have had no reports from colleagues, the public or law enforcement agencies to indicate that modern slavery practices have been identified. We will continue to monitor as necessary.

For and on behalf of the Board

Eddie Thorn  
**President**

Karen Scott  
**Chief Executive Officer**

Alan Yuille  
**Secretary**

27 March 2025

# Independent auditor's report to Scottish Midland Co-operative Society Limited

## Opinion

We have audited the financial statements of Scottish Midland Co-operative Society Limited ("the Society") for the year ended 25 January 2025, which comprise the Group profit and loss account, Group statement of comprehensive income, Group balance sheet, Group statement of changes in shareholders' funds and Group Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 25 January 2025 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of Co-operative and Community Benefits Societies Act 2014.

## Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance

with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Use of our Report

This report is made solely to the Society's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an 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 and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Co-operative and Community Benefits Societies Act 2014, we are required to report to you if:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

# Independent auditor's report to Scottish Midland Co-operative Society Limited continued

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## Directors' Responsibilities

As explained more fully in the Directors' Responsibilities Statement on page 18, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We obtained an understanding of the legal and regulatory frameworks within which the Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations that we have determined to be direct in this context were the Co-operative and Community Benefits Societies Act 2014 alongside elements of company law, tax legislation, and the financial reporting framework. We also gained an understanding of the other legal and regulatory frameworks in which the Group operates, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. These considerations include the Groceries Supply Code of Practice (GSCOP), FCA Disclosure Guidance and Transparency Rules (DTR), Health and Safety at Work Act 2015, Food Hygiene Regulations 2006 and data protection laws.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Management override of controls to manipulate the society's key performance indicators to meet targets;
- Compliance with relevant laws and regulations which directly impact the financial statements and those that the society needs to comply with for the purpose of trading.

Our audit procedures to respond to these risks included:

- Testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing judgments made by management in their calculation of accounting estimates for potential management bias;
- Enquiries of management about litigation and claims and inspection of relevant correspondence;
- Reviewing legal and professional fees to identify indications of actual or potential litigation, claims and any non-compliance with laws and regulations;
- Analytical procedures to identify any unusual or unexpected trends or relationship; and
- Reviewing minutes of meetings of those charged with governance to identify any matters indicating actual or potential fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected



# Independent auditor's report to Scottish Midland Co-operative Society Limited continued

in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission, or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

This description forms part of our Auditors' report.

Andrew Shaw  
(Senior Statutory Auditor)

For and on behalf of Anderson  
Anderson & Brown Audit LLP  
Statutory Auditor  
81 George Street,  
Edinburgh, EH2 3ES  
28 March 2025

# Statement of Accounting Policies

## General Information

Scottish Midland Co-operative Society Limited is a registered co-operative society domiciled in Scotland. The address of the Society's registered office and main trading address is Hillwood House, 2 Harvest Drive, Newbridge, Edinburgh, EH28 8QJ.

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 25 January 2025.

## Going Concern

The Group's business activities, together with the factors likely to affect its future development are set out in the Directors Report on pages 3 to 13. The Group continued to be profitable prior to tax in the period to 25 January 2025 and continues to have a strategy of growth. The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

At the year end, the Group had net assets of £127.2 million and net current liabilities of £1.2 million. It manages its day to day and medium-term funding requirements with a combination of cash balances, an overdraft facility of £10 million and a revolving credit facility of up to £30 million which is subject to gearing, earnings and capital spend related financial covenants and available until 2029 with an option to extend a further year. At the 25 January 2025 the Group had cash balances of £9.1 million and had utilised £30 million (2023-24: £30 million) of its revolving credit facility.

The ongoing Ukrainian war, crisis in the Middle East and wider geopolitical uncertainty has had an impact on the world economy directly affecting the overall supply chain and overhead costs, which has led to high inflation, higher than recent average interest rates

and a cost-of-living-crisis. Although the Society has no direct exposure to geopolitical issues, we are impacted by wider issues within the global supply chain and energy. We will continue to monitor this. As seen during the covid pandemic our food business provides an essential service and remained resilient during the crisis.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. These forecasts, include a severe but plausible increase in costs. Even in these severe downside scenarios the group is forecast to be able to operate within its existing facilities and meet its banking covenants over the going concern assessment period.

Based on the above indications, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

## Basis of Accounting

The Group financial statements were authorised for issue by the Board of Directors on 27 March 2025. The Group financial statements are prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, applicable accounting standards and under the historical cost convention modified to include the revaluation of certain land and buildings, equity investments and financial instruments at fair value. The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £'000.

The principal accounting policies are summarised below and have been applied consistently throughout the current and preceding year. The Society's business activities, together with the factors likely to affect its future prospects, are discussed

in the Directors' Report on pages 3 to 13. After making enquiries, the Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts, see page 18.

## Consolidated Financial Statements

The Group financial statements consolidate the financial statements of Scottish Midland Co-operative Society Limited and all its subsidiaries. Subsidiaries are those entities controlled by the Group. Control exists when the Society has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are considered. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

## Accounting Date

The accounts are prepared for the 52 weeks to 25 January 2025 (2023-24 - 52 weeks to 27 January 2024).

## Turnover

Turnover includes cash sales, goods sold on credit and property rental income exclusive of value added tax, funeral disbursements and discounts. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured.

## Trading Profit

The Society uses the Trading Profit measure to provide additional useful information for members on underlying trends and performance. This measure is used for internal performance analysis. Trading profit is not defined in FRS102 and therefore may not be directly comparable with other societies' or companies' adjusted profit measures. Trading Profit is calculated by reference to Operating Profit but excluding exceptional items, profit/loss on disposal of fixed assets and investment property revaluation.

## Exceptional Items

Exceptional items include significant exceptional transactions and material one-off items. The Society considers such items are significant to the Profit and Loss Account and their separate disclosure is necessary for an appropriate understanding of the Society's financial performance.

## Investment Income

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

## Taxation

The tax charge for the period comprises both current and deferred tax.

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

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

income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is also provided on timing differences arising from the revaluation of fixed assets. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Tangible Fixed Assets and Depreciation

Tangible fixed assets (excluding investment properties) are held at cost less depreciation and any provision for impairment. No depreciation is provided on freehold land and assets in the course of construction. For all other tangible fixed assets, depreciation is calculated to write down their cost or valuation to their estimated residual values by equal annual instalments over the period

of their estimated useful economic lives, which are considered to be: Buildings - 40 years. Plant, transport and fixtures - between 3 and 10 years.

Investment properties are revalued annually and the aggregate surplus or deficit is recognised in the profit and loss account. On disposal of investment properties, any related balance remaining in the non-distributable reserve is transferred to the revenue reserve. Depreciation is not provided in respect of investment properties.

## Assets Leased to the Society

Fixed assets leased under finance leases are capitalised and depreciated over the shorter of the lease term and their expected useful lives. The capital element of future lease obligations is recorded within liabilities, while the finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding. The costs of operating leases are charged to the profit and loss account as they accrue. Lease incentives are recognised over the shorter of the lease term or the period up to the first negotiation period within the lease.

## Goodwill

Purchased goodwill is capitalised in the year in which it arises at cost and amortised over its estimated useful life up to a maximum of 20 years with no charge for amortisation in the year of acquisition. Goodwill has been assessed through the analysis of the cash generating unit to provide a positive return over the recommended FRS102 amortisation period. Provision is made for any impairment.

## Impairment

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount

# Statement of Accounting Policies

## continued

(higher of value in use or fair value less costs to sell). Impairment losses are recognised in the profit and loss statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units, and then to reduce the carrying value of other fixed assets.

### Assets Leased by the Society

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

### Capitalisation of Interest

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

### Investments

Equity investments are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through the profit and loss account). Subsequently, they are measured at fair value through profit or loss except for those equity investments that are of minimal value and are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available.

### Funeral Plans

The Independent Family Funeral Directors Limited (trading as Fosters) was acquired during the year. Funeral plans are sold directly by Fosters, who are FCA registered, and are underpinned by a whole of life insurance policy from a leading UK Insurance provider.

### Cash and Cash Equivalents

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

### Stocks

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

### Debtors

Trade debtors are non-interest bearing and are stated at their nominal value, and reduced by appropriate allowances for estimated irrecoverable amounts. A provision for impairment of trade debtors is established when there is objective evidence that the Society will not be able to collect all amounts due according to the original terms of the debt. Subsequent recoveries of amounts previously written off are credited against operating expenses.

### Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are not interest bearing and are stated at their nominal value.

### Financial Instruments

The Society holds derivative financial instruments to reduce exposure to interest rate movements as an overall rate risk management strategy. The Society does not hold or issue derivative financial instruments for speculative purposes.

Derivatives entered include interest rate swaps, caps and floors. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through the profit and loss account. The fair value of interest rate swap contracts is determined by calculating the present value of the estimated future cash flows based on observable yield curves. The Society does not undertake any hedge accounting transactions.

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

### Pension Costs

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

For the defined benefit scheme, the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and

loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other financial costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

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

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

### Share Based Payment

The Society has applied the requirements of FRS 102 relating to share-based payments. The Society issues equity-settled share-based payment to employees who opt to join the all-employee share option plan. Equity-settled share-based payments are measured at fair value at the date of the grant. This is expensed in the profit and loss account.

### Provisions

A provision is recognised when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### Loans and Finance Costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowing costs are subsequently carried at amortised cost. Interest costs on borrowings are recognised in the profit and loss account in the period in which they are incurred on the accruals basis.

### Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Society's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical Judgements in Applying the Society's Accounting Policies

The following are the critical judgements, apart from those involving estimates (which are dealt with separately below), that the Directors have made in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Cost of Sales

Cost of sales includes recognition of rebates and overrides relating to activities conducted during the financial period and settled at a future date.

#### Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

## Group Profit and Loss Account for the year ended 25 January 2025

		2024-25 (52 weeks)	2023-24 (52 weeks)
		total	total
	notes	£000	£000
<b>turnover</b>	1	429,413	424,938
cost of sales		<u>(311,924)</u>	<u>(309,617)</u>
<b>gross profit</b>		117,489	115,321
other income	2	3,863	4,071
net expenses	3	<u>(117,319)</u>	<u>(115,109)</u>
<b>trading profit</b>		4,033	4,283
exceptional items	5	(151)	-
investment property revaluation	11	3,281	(1,408)
profit/(loss) on disposal of fixed assets		<u>285</u>	<u>(78)</u>
<b>operating profit</b>		7,448	2,797
net finance charges	6	<u>(2,227)</u>	<u>(2,075)</u>
<b>surplus before distributions</b>		5,221	722
distributions			
share interest		(103)	(52)
grants and donations	7	<u>(610)</u>	<u>(560)</u>
<b>surplus before taxation</b>		4,508	110
taxation	8	<u>(1,677)</u>	<u>8</u>
<b>surplus for the financial year</b>		<u>2,831</u>	<u>118</u>

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

The notes on pages 41 to 55 form an integral part of these financial statements.

## Group Statement of Comprehensive Income for the year ended 25 January 2025

		2024-25 (52 weeks)	2023-24 (52 weeks)
		total	total
	notes	£000	£000
<b>surplus for the financial year</b>		<u>2,831</u>	<u>118</u>
actuarial gains/(losses) on defined benefit pension scheme	19	<u>4,659</u>	<u>(2,293)</u>
tax relating to components of other comprehensive income	8	<u>(1,183)</u>	<u>554</u>
<b>other comprehensive gain/(loss) for the year</b>		<u>3,476</u>	<u>(1,739)</u>
<b>total comprehensive income/(loss) for the year</b>		<u>6,307</u>	<u>(1,621)</u>

The notes on pages 41 to 55 form an integral part of these financial statements.

## Group Balance Sheet as at 25 January 2025

	notes	2024-25 £000	2023-24 £000
<b>fixed assets</b>			
intangible assets	9	10,213	9,900
tangible assets	11	53,365	52,397
investment properties	11	105,389	101,666
investments	12	<u>1,774</u>	<u>1,786</u>
		170,741	165,749
<b>current assets</b>			
stocks - goods for resale		26,513	25,603
debtors and prepayments	13	13,599	14,191
cash at bank and in hand		<u>9,071</u>	<u>9,801</u>
		<u>49,183</u>	<u>49,595</u>
<b>current liabilities</b>			
<b>amounts falling due within one year</b>			
creditors	14	<u>(50,344)</u>	<u>(48,899)</u>
<b>net current (liabilities)/assets</b>		<u>(1,161)</u>	<u>696</u>
<b>total assets less current liabilities</b>		169,580	166,445
<b>long term liabilities</b>			
<b>amounts falling due after more than one year</b>			
creditors	15	(32,121)	(31,286)
<b>provisions for liabilities</b>			
deferred taxation	8	(8,859)	(8,022)
other provisions	16	<u>(914)</u>	<u>(201)</u>
<b>net assets excluding pension liability</b>		127,686	126,936
<b>pension liability</b>	19	(468)	(6,111)
<b>net assets</b>		<u>127,218</u>	<u>120,825</u>
<b>financed by</b>			
share capital	18	6,294	6,208
non-distributable reserve		44,535	41,328
revenue reserve		76,389	73,289
<b>shareholders' funds</b>		<u>127,218</u>	<u>120,825</u>

The notes on pages 41 to 55 form an integral part of these financial statements.

The financial statements of Scottish Midland Co-operative Society Limited were approved by the Board of Directors and authorised for issue on 27 March 2025. They were signed on its behalf by:

Eddie Thorn **President**

Michael Ross **Vice President**

Alan Yuille **Secretary**



## Group Statement of Changes In Shareholders Funds for the year ended 25 January 2025

	notes	share capital £000	non- distributable reserve £000	revenue reserve £000	total £000
<b>at 27 January 2024</b>		6,208	41,328	73,289	120,825
surplus for the financial year		-	-	2,831	2,831
transfer of realised revaluation on disposal of properties		-	(74)	74	-
actuarial gains on defined benefit pension scheme	19	-	-	4,659	4,659
tax relating to items of other comprehensive income		-	-	(1,183)	(1,183)
<b>total comprehensive income</b>		-	(74)	6,381	6,307
withdrawal of share capital	18	(17)	-	-	(17)
expenses of members capital	18	103	-	-	103
reclassification of revaluation of investment properties		-	3,281	(3,281)	-
<b>at 25 January 2025</b>		6,294	44,535	76,389	127,218

The notes on pages 41 to 55 form an integral part of these financial statements.

## Group Cash Flow Statement for the year ended 25 January 2025

		2024-25 (52 weeks)	2023-24 (52 weeks)
	notes	£000	£000
<b>net cash flows from operating activities</b>	20	13,686	13,007
<b>cash flows from investing activities</b>			
net proceeds from sale of equipment		165	-
net proceeds from sale of investment properties		587	445
purchase of investment		(38)	-
purchase of investment properties	11	(742)	(820)
purchase of equipment	11	(7,903)	(6,456)
acquisition of subsidiary, net of cash acquired	10	(3,059)	-
interest received	6	143	62
interest paid	6	(337)	(397)
cash acquired from subsidiary	10	(130)	-
<b>net cash flows from investing activities</b>		<u>(11,314)</u>	<u>(7,166)</u>
<b>cash flows from financing activities</b>			
share interest, grants and donations		(713)	(612)
repayments of borrowings	22	(30,062)	(4,000)
new bank loans raised		30,000	-
new finance leases	22	-	689
repayments of obligation under finance lease	22	(666)	(502)
investment movement		86	(15)
interest paid		(1,747)	(1,507)
<b>net cash flows from financing activities</b>		<u>(3,102)</u>	<u>(5,947)</u>
<b>net decrease in cash and cash equivalents</b>		<u>(730)</u>	<u>(106)</u>
<b>cash and cash equivalents at beginning of year</b>		9,801	9,907
<b>cash and cash equivalents at end of year</b>	22	<u>9,071</u>	<u>9,801</u>
<b>reconciliation to cash at bank and in hand</b>			
cash at bank and in hand at end of year		<u>9,071</u>	<u>9,801</u>

The notes on pages 41 to 55 form an integral part of these financial statements.

<b>1. turnover</b>	<b>2024-25</b>	<b>2023-24</b>
	<b>(52 weeks)</b>	<b>(52 weeks)</b>
<b>class of business</b>	<b>£000</b>	<b>£000</b>
retail	421,754	417,729
property	7,659	7,209
turnover	<u>429,413</u>	<u>424,938</u>

For the purposes of presentation turnover is stated net of VAT, disbursements and discounts. All turnover was generated within the United Kingdom.

## 2. other income

Other income comprises of commissions on services offered including but not limited to Post Office, Lottery, vending machines and ATM's.

<b>3. net expenses</b>	<b>2024-25</b>	<b>2023-24</b>
	<b>(52 weeks)</b>	<b>(52 weeks)</b>
	<b>£000</b>	<b>£000</b>
personnel costs	63,960	60,793
occupancy costs (excluding depreciation)	21,688	24,135
depreciation of owned assets	9,016	8,897
depreciation of assets held under finance leases	499	500
amortisation of goodwill	1,894	1,854
operating lease rentals - equipment and vehicles	598	592
fees - directors and committee members	299	277
expenses and delegations - directors and committee members	25	32
auditors' remuneration for group accounts	121	115
auditors' remuneration for subsidiary accounts	15	15
other expenses	19,204	17,899
	<u>117,319</u>	<u>115,109</u>

Included within occupancy costs and other expenses is £4,502,000 relating to operating lease rentals for land and buildings (2023-24 - £4,431,000).

<b>4. employees</b>	<b>2024-25</b>	<b>2023-24</b>
	<b>total</b>	<b>total</b>
	<b>number</b>	<b>number</b>
the average number employed was:		
full time	1,044	1,066
part time	2,473	2,518
	<u>3,517</u>	<u>3,584</u>

the costs incurred in respect of these employees were

	<b>£000</b>	<b>£000</b>
wages and salaries	58,620	55,867
social security costs	3,906	3,582
other pension costs	1,434	1,344
	<u>63,960</u>	<u>60,793</u>

## Notes to the Group Accounts

### 4. employees - continued

2024-25  
(52 weeks)

2023-24  
(52 weeks)

#### directors' emoluments

£000

£000

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

fees and delegations	<u>163</u>	<u>156</u>
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In addition, one director received a loyalty bonus totalling £51,000 on leaving the Society's service.

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

	number	number
£5,001 - £7,500	2	1
£7,501 - £10,000	2	3
£10,001 - £12,500	7	7
£12,501 - £15,000	1	-
£15,001 - £17,500	1	-
£17,501 - £20,000	-	1
£22,501 - £25,000	-	1
£25,001 - £27,500	1	-
	<u>14</u>	<u>13</u>

#### management executive emoluments

£000

£000

the total remuneration of the management executive was

wages & salaries	2,250	1,404
taxable benefits	27	26
pension and pension allowance costs	59	231
	<u>2,336</u>	<u>1,661</u>

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

	number	number
£70,001 - £80,000	-	1
£100,001 - £110,000	1	-
£180,001 - £190,000	2	-
£190,001 - £200,000	-	3
£380,001 - £390,000	1	-
£470,001 - £480,000	1	-
£720,001 - £730,000	-	1
	<u>5</u>	<u>5</u>

5. exceptional items	2024-25 (52 weeks) £000	2023-24 (52 weeks) £000
closure of Seaton Valley pension plan	(441)	-
management structure transition	911	-
accrual write back and asset impairment	(319)	-
	<u>151</u>	<u>-</u>

Exceptional items include the recovery of surplus pension values on closing a non Scotmid related plan offset by historical accrual, store closures and transitional costs relating to senior management structure.

6. net finance charges	2024-25 (52 weeks) £000	2023-24 (52 weeks) £000
<b>interest payable</b>		
bank overdraft and loan interest	1,665	1,409
finance leases	82	98
other interest	(9)	2
movement in fair value of derivatives	346	395
interest cost on pension scheme liabilities	<u>3,213</u>	<u>3,295</u>
total interest payable	<u>5,297</u>	<u>5,199</u>
<b>less - interest receivable and investment income</b>		
expected return on pension scheme assets	2,927	3,062
unlisted investments	61	54
other interest	<u>82</u>	<u>8</u>
total interest receivable	<u>3,070</u>	<u>3,124</u>
<b>total</b>	<u>2,227</u>	<u>2,075</u>

7. grants and donations	2024-25 (52 weeks) £000	2023-24 (52 weeks) £000
member relation activities & grants	593	542
donations	17	18
	<u>610</u>	<u>560</u>

## Notes to the Group Accounts

8. taxation	2024-25 (52 weeks) £000	2023-24 (52 weeks) £000
<b>8a. profit and loss account and other comprehensive income</b>		
<b>current taxation</b>		
UK corporation tax charge for the year	-	(237)
adjustment in respect of prior years	-	(1,949)
<b>total current taxation</b>	<u>-</u>	<u>(2,186)</u>
<b>deferred taxation</b>		
origination and reversal of timing differences	1,871	976
adjustment in respect of prior years	(194)	1,163
adjustment due to change of tax rate	-	39
<b>total deferred taxation</b>	<u>1,677</u>	<u>2,178</u>
<b>total profit and loss account taxation charge</b>	<u>1,677</u>	<u>(8)</u>
<b>other comprehensive income items</b>		
deferred tax in current year	<u>1,183</u>	<u>(554)</u>
<b>8b. taxation reconciliation</b>		
The tax in the profit and loss account for the year is higher (2023-24 higher) from the standard rate of corporation tax in the UK. The difference is explained below.		
<b>surplus before tax</b>	<u>4,508</u>	<u>110</u>
<b>tax on surplus at standard rate of corporation tax in the UK of 25% (2023-24: 24.03%)</b>	1,127	26
<b>factors affecting current tax charge for the year</b>		
expenses not deductible for tax	671	1,044
net depreciation and capital allowances	(75)	(680)
income not taxable	(1,050)	(190)
movement in short term timing differences (utilisation)/generation of tax losses	(98)	(525)
sale of property	194	178
effects of group relief/other relief	22	43
adjustment to tax in respect of prior years	(791)	(133)
	-	(1,949)
<b>current tax in year</b>	<u>-</u>	<u>(2,186)</u>
<b>factors affecting deferred tax charge for the year</b>		
depreciation in excess of capital allowances	111	680
movement in short term timing differences	98	525
adjustment from prior periods	(194)	1,164
effects of tax rate changes	-	39
effects of group relief / other reliefs	791	133
movement in unrealised gains on investment properties	871	(363)
<b>deferred tax movement in year</b>	<u>1,677</u>	<u>2,178</u>
<b>tax charge for the year</b>	<u>1,677</u>	<u>(8)</u>

## 8b. taxation reconciliation - continued

### current tax

In preparing the current tax figure a number of adjustments are required to the profit before tax figure to capture appropriate allowable and disallowable income and expenses. Items include but are not limited to; property sales; legal and professional costs; depreciation; intangible fixed asset write down and capital allowances. During the year a substantial review of capital allowances was carried out resulting in a change to the current year tax computation.

### expenses not deductible for tax

The adjustments for expenses not deductible are permanent differences between the amounts included in the Society's financial results and the amounts that are included in the calculation of the taxable profit during a current or later period. The most significant adjustments in the current period relate to depreciation on fixed assets that do not qualify for capital allowances and consolidation adjustments for the defined benefit pension scheme.

### sale of property

Substantial capital gains can be realised through the sale of properties that the Society has owned for many years.

### indexation allowance

Indexation allowance, frozen from January 2018, is an allowance for inflation of capital gains. In calculating any corporation tax due on properties and other fixed assets, the Society is able to increase its cost for tax purposes for inflation from the date of acquisition. The indexation allowance in the year relates to estimated indexation on investment properties not yet sold and indexation on properties sold in the year.

### change in tax rates

The UK corporation tax rate for the chargeable accounting period ended 25 January 2025 is 25.0%. The UK government announced in March 2021 that the UK corporation tax rate would increase from 19% to 25% from 1 April 2023. The rate increase was substantively enacted on 24 May 2021.

Deferred tax should be measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax disclosures have been prepared on the assumption that the deferred tax balances will unwind at the substantively enacted rate of 25%.

### adjustments to tax in respect of prior years

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

### other

The deferred tax provision includes a calculation on the pension deficit in the scheme recognised in the Society accounts and the element of Asset Backed Funding (ABF) contribution not yet tax deductible. The surplus recognised by the Society of £4,964,000 (2023-24 - £118,000 deficit) is lower due to the different accounting treatment of the ABF arrangement in the Society and these group accounts and will unwind in 2032 when the arrangements ends.

The taxation charge in the other comprehensive income is the deferred taxation (at a rate of 25%) on the actuarial gain on the Society's defined benefit pension scheme.

### tax policy and strategy

The Society approved an updated tax policy on 19 October 2023, to pay the appropriate taxes we owe by seeking to pay the right amount of tax (but no more) at the right rate, in the right place and at the right time. A full copy of the tax policy and strategy is published on our website.

## Notes to the Group Accounts

8c. deferred taxation	2024-25 £000	2023-24 £000
<b>deferred tax</b>		
provision at beginning of year	(8,022)	(6,398)
adjustment in respect of prior years	194	(1,163)
deferred tax charge to income statement in the period	(1,871)	(1,015)
deferred tax charge to other comprehensive income statement in the period	(1,183)	554
transferred in from acquisition of subsidiary	2,023	-
<b>deferred tax provision at the end of the year</b>	<u>(8,859)</u>	<u>(8,022)</u>
<b>deferred tax assets/(liabilities)</b>		
fixed asset timing differences	(11,781)	(11,234)
short term timing differences	(932)	235
losses	3,854	2,977
<b>deferred tax provision at the end of the year</b>	<u>(8,859)</u>	<u>(8,022)</u>

The fixed asset timing difference liability mainly relates to investment property revaluation and would only materialise upon property sale. The short term timing difference asset mainly relates to the defined benefit pension scheme as mentioned overleaf.

Within fixed asset timing differences there is a deferred tax liability of £11,781,000 (2023-24 - £11,234,000).

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

<b>deferred tax assets</b>		
recoverable within 12 months	838	685
recoverable after 12 months	3,068	2,527
<b>deferred tax assets</b>	<u>3,906</u>	<u>3,212</u>
<b>deferred tax liabilities</b>		
payable after 12 months	(12,765)	(11,234)
<b>deferred tax liabilities</b>	<u>(12,765)</u>	<u>(11,234)</u>

## 9. intangible assets

goodwill	cost	amortisation	balance sheet value
	£000	£000	£000
at the beginning of the year	52,968	(43,068)	9,900
additions (see note 10)	2,207	-	2,207
amortisation provided for the year	-	(1,894)	(1,894)
at the end of the year	<u>55,175</u>	<u>(44,962)</u>	<u>10,213</u>



## 10. acquisitions

On 13/09/24, the Society acquired 100% of the share capital of The Independent Family Funeral Directors Ltd, a funeral director trading as Fosters Funeral.

The fair value of the net assets acquired and the consideration paid are set out below

	£000
tangible fixed assets	2,748
stock	91
debtors	791
deferred tax	2,023
creditors	(3,204)
loan	(1,597)
cash at bank	130
net assets acquired	<u>982</u>
goodwill on acquisition	2,207
consideration	<u>3,189</u>
satisfied by:	
cash	2,440
transaction costs	749
	<u>3,189</u>

## 11. tangible fixed assets

	land & investment buildings £000	properties £000	plant vehicles & fixtures £000	total £000
<b>cost or valuation</b>				
27 January 2024	33,859	101,666	115,480	251,005
additions	433	742	7,470	8,645
disposals	-	(460)	(306)	(766)
acquisition	110	-	2,638	2,748
reclassification	(303)	160	-	(143)
revaluation	-	3,281	-	3,281
25 January 2025	<u>34,099</u>	<u>105,389</u>	<u>125,282</u>	<u>264,770</u>
<b>depreciation</b>				
27 January 2024	16,969	-	79,973	96,942
provided for the year	822	-	8,693	9,515
disposals	-	-	(298)	(298)
reclassification	(143)	-	-	(143)
25 January 2025	<u>17,648</u>	<u>-</u>	<u>88,368</u>	<u>106,016</u>
<b>balance sheet value at 27 January 2024</b>	<u>16,890</u>	<u>101,666</u>	<u>35,507</u>	<u>154,063</u>
<b>balance sheet value at 25 January 2025</b>	<u>16,451</u>	<u>105,389</u>	<u>36,914</u>	<u>158,754</u>

## 11. tangible fixed assets - continued

The net book value of the group's fixed assets includes £2,044,000 (2023-24 - £2,543,000) in respect of assets held under finance leases. All assets classified as Land & Buildings are freehold properties. All assets under finance leases are held within plant, vehicles & fixtures.

Investment properties were independently valued by Chartered Surveyors D M Hall LLP and Edwin Thomson LLP as at 25 January 2025 at open market value on the basis of existing use, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The valuation was arrived at on the basis of an inspection and survey of a sample of the Society's investment properties.

The net book value of the group's fixed assets includes £17,640,000 (2023-24 - £17,630,000) of investment properties held by Scotmid Pension Limited Partnership. These properties provide security for the Asset Backed Funding Arrangement put in place during 2012-13.

## 12. investments

	long term 2024-25 £000	current 2024-25 £000	total 2024-25 £000	long term 2023-24 £000	current 2023-24 £000	total 2023-24 £000
<b>unlisted investments</b>						
Co-operative Group shares	1,341	-	1,341	1,341	-	1,341
other C & CB Societies	2	-	2	2	-	2
others	441	-	441	453	-	453
joint ventures	(16)	-	(16)	(16)	-	(16)
	<hr/>			<hr/>		
	1,768	-	1,768	1,780	-	1,780
<b>listed investments</b>						
others	6	-	6	6	-	6
	<hr/>			<hr/>		
	1,774	-	1,774	1,786	-	1,786
				<hr/>		
				unlisted investments £000	listed investments £000	total £000
<b>cost or valuation</b>						
balance sheet value at 27 January 2024				1,780	6	1,786
additions				38	-	38
disposals				(50)	-	(50)
				<hr/>		
balance sheet value at 25 January 2025				1,768	6	1,774

The listed investments are considered minimal and therefore, in line with our policy have been stated at cost. The market value of the listed investments at 25 January 2025 was £31,000 (2023-24 - £34,000) and therefore the fair value would add £26,000 (2023-24 - £29,000) if restated.

The group's significant subsidiary undertakings include the retail activities of Botterills Convenience Stores Limited, Trade Smart Marketing Limited, the pension activities of Scotmid Pension (GP) Limited, Scotmid Pension (IP) Limited, Scotmid Pension Limited Partnership and Scotmid Property & Services Limited which holds the employee share ownership plan. During the year, the Society acquired The Independent Family Funeral Directors Ltd, a funeral director trading as Fosters Funeral. The net assets and activities of the subsidiary undertakings are included in these Group accounts. The Group has shareholdings in The Start-Up Drinks Lab Limited (a drink manufacturer, registered address Unit 4, Block D, Kelburn Business Park, Port Glasgow), The Alcoholic Water Company Limited (a drink manufacturer, registered address Unit 5, Block D, Kelburn Business Park, Port Glasgow), and in Product Guru, an online supplier/customer interface.

## 12. investments - continued

The group has an interest in a joint venture. The principal activity of this company is property development, is incorporated in Great Britain and registered in Scotland. The Society's investment value in Scotmid - Miller (Great Junction Street) Limited represents 50% of the net assets/liabilities of the companies. The most recent balance sheets of the company is shown below.

	Scotmid - Miller (Great Junction Street)	
	2024-25	2023-24
	£000	£000
gross assets	6	6
gross liabilities	(22)	(22)
net liabilities	(16)	(16)
net investment	(16)	(16)

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

13. debtors and prepayments	2024-25	2023-24
	£000	£000
trade debtors	281	98
prepayments and other debtors	12,177	11,363
corporation tax recoverable	1,141	2,730
	<u>13,599</u>	<u>14,191</u>

14. creditors falling due within one year	2024-25	2023-24
	£000	£000
trade creditors	20,885	20,935
holiday pay	556	556
VAT	2,251	2,183
other sundry creditors	7,574	6,519
accrued charges	16,750	17,218
PAYE and social security	1,198	822
finance lease/HP	430	-
obligations under finance leases (see note 15)	700	666
	<u>50,344</u>	<u>48,899</u>

## Notes to the Group Accounts

	2024-25 £000	2023-24 £000
<b>15. creditors falling due after more than one year</b>		
bank loans	31,535	30,000
obligations under finance leases	586	1,286
	<u>32,121</u>	<u>31,286</u>
borrowings are repayable as follows:		
<b>bank loans</b>		
between one and two years	-	30,000
between two and five years	31,535	-
	<u>31,535</u>	<u>30,000</u>
<b>finance leases</b>		
between one and two years	586	700
between two and five years	-	586
	<u>586</u>	<u>1,286</u>
on demand or within one year	700	666
	<u>1,286</u>	<u>1,952</u>
<b>total bank loans, deferred income, and finance leases excluding bank overdraft</b>		
between one and two years	586	30,700
between two and five years	31,535	586
	<u>32,121</u>	<u>31,286</u>
on demand or within one year	700	666
	<u>32,821</u>	<u>31,952</u>

The above bank loans are secured by a bond and floating charge over specific properties owned by the Society and the remaining assets held by the group, excluding certain properties held by Scotmid Pension Limited Partnership.

The finance leases are secured on the assets to which they relate.

Barclays were appointed in October 2024 with funding covering 5 years with a 1 year extension option. The facility includes a £30,000,000 Revolving Credit Facility and a £10,000,000 Overdraft. At year end a loan balance of £30,000,000 (2023-24: £30,000,000) existed. Gross borrowing to net assets, Minimum EBITDA, and Capital Expenditure are covenants associated with the facility. Interest rate is SONIA plus margin.

<b>16. provisions</b>	<b>£000</b>
27 January 2024	(201)
additions	(713)
25 January 2025	<u>(914)</u>

Provisions include costs that will fall due greater than one year and include dilapidation and onerous leases.

<b>17. derivatives</b>	<b>2024-25</b>	<b>2023-24</b>
	<b>£000</b>	<b>£000</b>

#### derivative financial instruments held to manage interest rates

interest rate derivatives (at fair value)	<u>67</u>	<u>413</u>
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The Society's interest rate derivatives with a value of £6,500,000 have been taken out with HSBC to hedge interest rate risk on the bank loan and are measured at fair value using mark to market price at each reporting date. The resulting gain or loss is recognised in the profit and loss account. The Society does not enter into derivatives for speculative purposes. These derivatives mature in March 2025.

<b>18. share capital</b>	<b>2024-25</b>	<b>2023-24</b>
	<b>£000</b>	<b>£000</b>
at beginning of year	6,208	6,223
interest	<u>103</u>	<u>52</u>
	6,311	6,275
contributions	<u>85</u>	<u>79</u>
	6,396	6,354
withdrawals	(102)	(146)
at end of year	<u>6,294</u>	<u>6,208</u>

(i) share capital comprises 6,294,000 shares (2023-24 - 6,208,000) of £1 attracting interest at 2% (2023-24 1%).

(ii) shares are withdrawable on periods of notice in accordance with the Society's Rules (Rule 13), however, the directors retain the right to refuse redemption.

(iii) each member is entitled to one vote, regardless of the number of shares held.

#### 19. accounting for pension costs

The Society contributed to a number of defined contribution pension schemes during the year. The assets of these schemes are held separately from those of the Society in independently administered funds. The costs relating to these schemes are included within note 4. The NEST scheme is the default scheme available to new employees.

The Society operates a defined benefit funded pension scheme, the Scottish Midland Co-operative Society Pension Plan (the Scotmid scheme). The scheme has three sections, the Scotmid Final salary section, the Penrith Final salary section and the Retiral Cash Balance section. The Penrith Final salary section was created following the bulk transfer of all assets, liabilities and members from the Penrith Co-operative Society Limited Superannuation Fund (the Penrith scheme) on 31 December 2013. The Scotmid and Penrith Final salary sections are both closed to new entrants and ceased future accrual on 15 June 2013. The Retiral Cash Balance section became available to new entrants, subject to membership criteria, from 1 March 2013.

## 19. accounting for pension costs - continued

The most recent approved actuarial valuation was carried out at 28 January 2023. The actuarial valuation method used was the projected unit method. Additional annual contributions of £312,500 until January 2026, reducing to £302,000 until 2027, in addition to the £969,000 asset backed funding arrangement through to 2032, have been agreed between the Society and the Pension Trustees.

the major assumptions used by the actuary were		at 25 January 2025	at 27 January 2024
rate of increases in pensions accrued post 05/04/97	LPI 5% (RPI)	3.10%	3.00%
	LPI 2.5% (RPI)	2.00%	2.00%
rate of increase in deferred pensions	LPI 2.5% (RPI)	2.50%	2.50%
rate of increase in deferred pensions	LPI 2.5% (CPI)	2.50%	2.50%
discount rate		5.50%	5.00%
inflation assumption		3.20%	3.10%
life expectancy retiring today	male	84.6 years	84.6 years
	female	86.7 years	86.7 years
life expectancy in 20 years	male	86.4 years	86.4 years
	female	88.4 years	88.3 years

Investigations have been carried out within the past year into the mortality experience of the Society's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The above assumed life expectations are based on retirement at age 60.

The actuary has proposed that RPI inflation continues to be set in line with market break-even expectations less an inflation risk premium. The inflation risk premium has been set at 0.2% (2023-24: 0.2%) and the actuary has estimated, for illustration purposes, that the impact of a reduction in IRP of 0.1% p.a. when setting the RPI assumptions would be expected to be around a 1% (@ £1m) increase in the defined benefit obligation.

For CPI, the actuary has proposed changing the long term gap between RPI and CPI to 0.35% (0.4%; 2023-24). The actuary has estimated, for illustration purposes, that the impact of a reduction of 0.1% p.a. in the best estimate RPI-CPI wedge applied when setting the CPI assumption would be expected to be less than a 1% (@ £1m) increase in the defined benefit obligation.

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

	2024-25 £000	2023-24 £000
current service cost	807	789
net interest cost	286	233
	<u>1,093</u>	<u>1,022</u>

The amount included in the balance sheet arising from the Society's obligations in respect of its defined benefit retirement schemes is as follows.

	at 25 January 2025	at 27 January 2024
present value of defined benefit obligations	(61,751)	(65,104)
fair value of scheme assets	61,283	58,993
deficit	<u>(468)</u>	<u>(6,111)</u>
net liability recognised in the balance sheet	<u>(468)</u>	<u>(6,111)</u>

Seaton Valley Co-operative Society Ltd shared a funded defined pension scheme with Allendale Co-operative Society Ltd. This pension plan has been wound up in the year with surplus funds being returned to both Scotmid and Allendale Co-operative Society Ltd, see note 5.

<b>19. accounting for pension costs - continued</b>	<b>2024-25</b>	<b>2023-24</b>
<b>analysis of the movement in the scheme deficit in the year</b>	<b>£000</b>	<b>£000</b>
opening deficit in the scheme	(6,164)	(5,241)
current service cost	(807)	(789)
contributions	2,130	2,392
net financing charge	(286)	(233)
actuarial gain/(loss)	4,659	(2,293)
<b>closing scheme deficit</b>	<b>(468)</b>	<b>(6,164)</b>
Seaton Valley & Allendale Society pension surplus	-	53
<b>total deficit</b>	<b>(468)</b>	<b>(6,111)</b>
<b>reconciliation of present value of scheme liabilities</b>	<b>£000</b>	<b>£000</b>
opening defined benefit obligation	65,156	66,386
service cost	807	789
interest cost	3,213	3,295
contributions by employees	644	649
actuarial gain	(4,230)	(3,059)
benefits paid	(3,839)	(2,956)
closing defined benefit obligation	<u>61,751</u>	<u>65,104</u>
<b>reconciliation of present value of scheme assets</b>	<b>£000</b>	<b>£000</b>
opening fair value of the scheme assets	58,993	61,198
expected return	2,927	3,062
actuarial gain/(loss)	428	(5,352)
contributions by employer	2,130	2,392
contributions by employees	644	649
benefits paid	(3,839)	(2,956)
closing fair value of the scheme assets	<u>61,283</u>	<u>58,993</u>
<b>analysis of the fair value of scheme assets at the balance sheet date was as follows</b>	<b>£000</b>	<b>£000</b>
equities	36,690	33,512
other	(1,039)	1,130
asset backed funding arrangement contribution	969	969
buy-in	9,378	10,323
liability driven investment	15,285	13,059
total market value of assets	<u>61,283</u>	<u>58,993</u>

In setting the expected return on the assets as at 25 January 2025, we have taken into account the yields on government bonds and quality corporate bonds and the advice of Mercer's in-house investment consultancy practice.

## Notes to the Group Accounts

### 19. accounting for pension costs - continued

	2024-25 £000	2023-24 £000
<b>amounts taken to the consolidated statement of comprehensive income</b>		
actual return less expected return on pension scheme assets	428	(5,352)
experience (losses)/gains	(29)	833
changes in assumptions underlying the value of scheme liabilities	4,260	2,226
actuarial gain/(loss) before tax adjustments	<u>4,659</u>	<u>(2,293)</u>

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

	2024-25 £000	2023-24 £000
operating profit	7,448	2,797
adjustment for		
(gain)/loss on investment properties	(3,281)	1,408
(profit)/loss on disposal of fixed assets	(285)	78
depreciation charges	9,515	9,397
amortisation of goodwill	1,894	1,854
increase in stocks	(819)	(719)
(increase)/decrease in debtors	(205)	186
decrease in creditors and other provisions	(949)	(23)
movement in pension liability	(1,323)	(1,603)
movement in pension liability - Seaton Valley	53	-
share of subsidiary loss	49	34
corporation tax refunded/(paid)	1,589	(402)
net cash inflow from operating activities	<u>13,686</u>	<u>13,007</u>

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

	2024-25 £000	2023-24 £000
decrease in cash for year	(730)	(106)
cash (inflow)/outflow from change in net debt and lease financing	(869)	3,813
movement in net debt for the year	(1,599)	3,707
opening net debt	(22,150)	(25,857)
closing net debt	<u>(23,749)</u>	<u>(22,150)</u>



<b>22. cash flow statement: analysis of net debt</b>	<b>at 27 January 2024 £000</b>	<b>cashflow £000</b>	<b>other non-cash changes £000</b>	<b>at 25 January 2025 £000</b>
cash at bank and in hand	9,801	(730)	-	9,071
debt due after 1 year	(30,000)	(31,535)	30,000	(31,535)
debt due within 1 year	-	30,000	(30,000)	-
finance leases repaid	(1,951)	666	-	(1,285)
	(31,951)	(869)	-	(32,820)
total	(22,150)	(1,599)	-	(23,749)

### 23. operating lease commitments

	<b>land &amp; buildings</b>	<b>plant, vehicles &amp; fixtures</b>	<b>land &amp; buildings</b>	<b>plant, vehicles &amp; fixtures</b>
	<b>2024-25 £000</b>	<b>2024-25 £000</b>	<b>2023-24 £000</b>	<b>2023-24 £000</b>
<b>leases which expire</b>				
within one year	1,556	56	548	70
within two to five years	6,703	1,068	5,294	702
after five years	12,173	-	11,682	-
	20,432	1,124	17,524	772

At 25 January 2025 the commitment to make total future minimum lease payments in respect of operating leases is shown above.

### 24. related parties

There were no transactions undertaken in the year with related parties other than those with key personnel management as disclosed in note 4.

## Board Members

Board Directors	Board	Audit	Remuneration	Search	General Purposes
Mr E Thorn (P)	12	2		1(C)	2(C)
Mr M Ross (VP)	10	3			2
Mr B Weddell	12			3	
Mr A Clark Hutchison	10	3 (C)			
Mr A Simm	10	3			
Mr I Gilchrist	12		4		
Mrs K Harmon	8		1	1	
Mr K Kelly	11			3	
Dr R McCready	11		4 (C)		1
Mr D Paterson	12	3			
Mr J Mills (E 01/05/2024)	8		2		
Mrs S McSorley (E 30/04/2024)	8			1	
Mr J Watson (R 01/05/2024)	3				
Mrs S Downie (R 30/04/2024)	3		2		
<b>Total meetings held</b>	<b>12</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>2</b>

### Meetings held from 28 January 2024 - 25 January 2025

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

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

On 2 May 2024, Eddie Thorn and Michael Ross were elected by the Board as the Society President and Vice President respectively.

On 30 April 2024, Sheila Downie stepped down as a Director on the Scotmid Board.

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.

The Chair, Vice Chair and Minute Secretary for the Regional Committees are appointed annually. This year's appointments were made on 9 May 2024.

East Regional Committee		West Regional Committee		North Regional Committee	
Mr E Thorn (C)	8	Mr M Ross (C)	6	Dr R McCready (C)	8
Mr D Paterson (VC)	6	Mrs K Harmon (VC)	6	Mrs D Taylor (VC)	6
Mrs R McCabe (MS)	8	Ms M Nolan (MS)	5	Mrs S McSorley (MS)	8
Mr B Weddell	8	Mr S Ballantyne	8	Ms E Farquhar	7
Mr J Baxter	7	Mr S Curran	7	Mrs J Garnes	6
Mr D Costello	4	Mr I Gilchrist	7	Mr A Hutchison	4
Mr A Clark Hutchison	8	Mr A Simm	8	Mr A MacLeish	7
Mrs H Dalley	7	Mrs M Kane	4	Mr D Patterson	8
Mr C Henderson	7	Mr J Mills	8	Ms E Pipe	8
Mr J Hendrie	6	Mr G Randell	5	Mrs S Downie	7
Mrs L Hinds	7	Mr D Simpson	8	Mr J Martin (E 30/04/2024)	4
Mr K Kelly	7	Mr C Sim	8	Ms M Smith (R 30/04/2024)	2
Mr J Mackenzie	8	Mr S Ewart (E 01/05/2024)	4	Mrs S Sandbach (R 26/02/2024)	1
Mrs G Thornton (E 29/04/2024)	4	Mrs K Scott (R 09/05/2024)	3		
		Mr J Watson (R 01/05/2024)	2		
<b>Total meetings held</b>	<b>8</b>	<b>Total meetings held</b>	<b>8</b>	<b>Total meetings held</b>	<b>8</b>

### Meetings held from 28 January 2024 - 25 January 2025

C Committee Chair | VC Committee Vice Chair | MS Minute Secretary | E Elected | R Retired

Michael Ross, 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 and Chair of Co-operative News. David Paterson and Richard McCready are members of The Co-operative Group Member Council.

Karen Scott is a director of the Federal Retail Trading Services Limited, Scotmid Holdings Limited, The Independent Family Funeral Directors Limited, David Robb Independent Funeral Directors Limited, Deery Funeral Services Limited, Independent Co-op Services Limited, S.G.F Services Limited, Scottish Grocers Federation (Holdings) Limited, The Alcoholic Water Company Limited and The Start Up Drinks Lab Limited.

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, Scotmid Holdings Limited, The Independent Family Funeral Directors Limited, David Robb Independent Funeral Directors Limited, Deery Funeral Services Limited, The Alcoholic Water Company Limited and The Start Up Drinks Lab Limited during the period.



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