

SCOTTISH MIDLAND CO-OPERATIVE SOCIETY LIMITED

INTERIM REPORT

for the 26 weeks
ended 26 July 2025



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

Scotmid
coop

Directors, Officers & Advisors

DIRECTORS

President

Eddie Thorn

Vice President

Michael Ross

Andrew Clark Hutchison

Iain Gilchrist

Kaye Harmon

Keith Kelly

Richard McCready

Sharon McSorley

John Mills

David Paterson

Andy Simm

Brian Weddell

MANAGEMENT EXECUTIVE

Chief Executive Officer

Karen Scott

Chief Financial Officer

Craig Strachan

Chief Operating Officer - Retail

Brian Boyle

Chief Operating Officer - Services

Margaret Anne Clark

ADVISORS AND REGISTERED OFFICE

Independent Auditors

Anderson Anderson & Brown Audit LLP

Bankers

Barclays Bank plc

Solicitors

Anderson Strathern WS

Registered Office

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

Cover photo: The opening of the new store at Fountainbridge, Edinburgh.

Opposite page: The civic reception at the Scottish Parliament to celebrate the International Year of Co-operatives.

Directors' Report



The Directors of Scottish Midland Co-operative Society present their interim commentary for the first half of 2025.

Scotmid's turnover was £213m for the 26 weeks ended 26 July 2025, which was a reduction of £1m from the 2024 interim result. This period was marked by a uniquely challenging trading environment, with supply chain issues the main headwind following disruption to the Coop Group IT systems in early May. The cyber incident severely interrupted stock supply in store and impaired trading ability for the food division, making it difficult to take advantage of favourable summer weather. Economic conditions also presented enduring challenges, including the cost-of-living crisis, low consumer confidence, persistent market inflation and significant employment costs increase. However, the Society did benefit from reduced energy costs in the year and solid performances from property and funeral divisions. Trading profit reduced in the year to £0.1m, a drop of £1.9m from 2024. The team has been laser focused on other potential cost saving areas to mitigate the impact from the challenging trading environment and allow our Society to continue to serve our communities and improve people's everyday lives.

The Society's retail divisions were most affected by the supply chain issues and ongoing economic pressures. The food division faced increased employment costs alongside stock issues, resulting in a drop in store turnover and trading profit. Semichem supported the food division during the disruption, utilising its warehouse and fleet to push local supply out to stores, but did

continue to face trading pressure from low consumer confidence and high street footfall. Property continued to perform well, with rental growth in both commercial and residential. Funeral delivered a solid start to the year with Fosters contributing and the bulk of integration work now complete.

Despite trading issues, community-based funding remained at the heart of the Membership & Community team's work. The Charity of the Year partnership with Maggie's has been a great success, with fantastic colleague and member fundraising efforts to support those affected by cancer. The new Members' Choice awards launched earlier this year, with more than 60 good cause groups benefitting from this year's initiative. In the International Year of Co-operatives, the Society supported a civic reception at the Scottish Parliament and invested £300k in Student Coop Homes to purchase a property in Glasgow and support the co-operative movement.

The challenges highlighted at year end continued to impact consumer appetite and trading performance. The cost-of-living crisis and high interest rates persisted, but the biggest single factor affecting the interim results was the supply chain disruption which affected stock availability and customer confidence. Cost control and margin management helped to mitigate some of the impact, while other divisions performed solidly providing a partial buffer. The interim results are undoubtedly challenging with work to do as we move into the second half, however, the Society's balance sheet remains robust allowing focus on the long term.

Directors' Report

FOOD RETAIL

The Food division's trading performance in the first half of 2025 remained under pressure, with many headwinds continuing from 2024. The cost-of-living crisis constrained consumer spending, and rising personnel costs squeezed margins for the division. Supply chain issues following Coop Group's cyber-attack in May had a major impact on performance and footfall, which, despite swift and coordinated mitigation efforts, outweighed any benefit from favourable summer weather.

Sales for the food division were affected by the supply chain and stock availability issues, with customer visits to stores decreasing, although there was an increase in average transaction value. Volumes were also down, directly tied to reduced product availability. Category performance was shaped by the supply challenges, with seasonal categories benefitting from good weather, but underperforming overall due to limited stock availability. Traditional convenience categories were mixed with both beers, wines and spirits, and tobacco categories influenced by legislative changes.

Proactive availability management, particularly during the incident, was key to retain a core level of stock with the food division leveraging local suppliers and the Semichem Distribution Centre to get stock to stores. Everyday Value was re-launched and Bundle Deals introduced in Q1 to

boost volume, enhance offers and deliver customer value. These initiatives have already driven growth and will remain central to increasing transactions and footfall for the remainder of the year. Marketing delivered strong Easter and Summer campaigns, and expanded across TV, radio, print, and social media. Post-incident recovery was supported by targeted advertising, leaflet drops, and engagement activities to rebuild customer confidence and footfall.

The food division faced significant cost pressures, including increased wages due to the April National Living Wage uplift and National Insurance changes. Energy costs fell, aided by early hedging and a new windfarm power purchase agreement in collaboration with other independent cooperative societies. Other costs, though affected by inflation, were tightly controlled and increases mitigated where possible.

Capital investment remained key, with continued refit and infrastructure upgrades, including new tills and self-checkouts across the estate, food to go refreshes, and improvements to existing property assets. The new Fountainbridge store was launched in July, taking Scotmid back to its historic birthplace, and the Semichem @ Scotmid hybrid model was introduced in 5 locations bringing Semichem's range to new customers.



Above: The new Fountainbridge store in Edinburgh, including a trial format food-to-go counter.

Directors' Report



Above: The hybrid Semichem @ Scotmid trial at Prestonpans High Street store.

SEMICHEM

Semichem's performance was challenged in the first half by a combination of factors, including reduced disposable income, weak consumer confidence, and cautious spending linked to the enduring cost-of-living crisis. These pressures, alongside declining footfall and broader challenges facing the UK high street, such as store closures and intensified online competition, created a difficult retail landscape. Despite these headwinds, Semichem delivered encouraging results in certain categories and maintained sales at a similar level to 2024.

The UK economy continues to face challenges with knock-on effects reducing Semichem customers' propensity to spend. Consumer confidence has shown some improvements; however, it remains fragile. Persistent inflation, particularly in essential goods and services, continues to pressurise household budgets. Regardless, Semichem remains committed to delivering value to its customers. The division has actively managed rising overheads, including rising cost of goods and labour, to remain competitive in the market.

Key categories continued to grow in the first half, driven by strong marketing of Mega Deals and Special Buys. Event-driven sales, particularly Valentine's, Mother's, and Father's Day, coupled with favourable summer weather, delivered growth within the seasonal category. Notwithstanding ongoing economic pressures on retail prices and margins; price cut campaigns, some supported by radio activity, have performed well in shaping value perception with further initiatives planned for the remainder of the year.

The Semichem warehouse operation provided invaluable support to the food division during the supply chain disruption, ensuring continuity of operations and product availability. The team also supported the Semichem @ Scotmid hybrid model that was introduced in 5 food stores including range selection and ongoing replenishment.

Despite tough market conditions, Semichem continued to strive for sales and best service for customers during the first six months of 2025 and will maintain focus on targeted sales growth as the golden quarter for trade approaches.

Directors' Report



The integration of the Fosters Funeral operation has continued over the first half of the year.

FUNERALS

Scotmid Funerals conducted the same number of funerals as the previous interim period. Direct cremations, although at a similar number to last year, continue to occupy a higher proportion of the overall funeral mix with TV advertising and budget constraints continuing to have an impact. Fewer funeral plans were written by Scotmid Funerals in the period where Ecclesiastical Planning Services continues to act as principal to offer fully regulated services to clients.

Fosters conducted fewer funerals in the period as the business went through the steepest part of the change curve in integrating into the wider Scotmid business. Like Scotmid Funerals, direct cremations accounted for a higher proportion of total funerals sold with the team ensuring the business is ready to commercially fulfil this market shift going forward. There was a significant uplift in funeral plans written in the first half, driven by a targeted marketing campaign led by television and supported by social media activity. Unlike Scotmid,

Fosters is fully authorised by the FCA to independently manufacture and write its own funeral plans.

Following the Fosters acquisition, significant progress has been made in a strategic integration programme designed to bring together the strengths of both brands. Key achievements to date include the adoption of a unified funeral management system, the alignment of employment terms and conditions, the introduction of a single, consolidated coffin range, and the streamlining of care centres from five to two locations.

Investment in the Funeral division continues, with a particular focus on enhancing care centre infrastructure. At Rutherglen, refrigeration capacity was successfully doubled through the utilisation of existing assets. This upgrade has alleviated logistical pressures and strengthened the division's ability to deliver dignified and consistent care. Plans for Forrester Park will progress in the second half.

Directors' Report



The Property team completed a sub-division at Rosewell House adjacent to our Head Office, creating three new units more suited to market demand.

PROPERTY

The Property division delivered a solid result in the first six months, underpinned by strong income growth and disciplined cost management. Bad debts remained low with market conditions broadly stable in the first half, supported by a backdrop of gradually easing interest rates and modest economic growth. Residential sale markets remained active aided by a competitive lending environment. Commercial sale markets continued to be subdued in terms of transaction volumes, although values remained resilient.

Commercial rental income recorded modest year-on-year growth, primarily through improved utilisation of existing assets. This included reducing voids and securing higher market rents at lease renewals and rent reviews. Additional income was generated from the letting of a small number of surplus trading freehold properties. A sub-division at Rosewell House was completed, creating three new commercial units.

Residential rental income benefitted from year-on-year growth. While rental growth

in Edinburgh and Glasgow plateaued during the first half, annual rent reviews enabled some movement towards market rents. Bad debts in the residential portfolio were negligible. Temporary rent controls introduced in Scotland in 2022 ended in April, but plans are in motion for additional legislation to cap future rental increases. A major external façade refurbishment is underway on part of the core residential holdings in central Edinburgh, and a two-bedroom flat in central Edinburgh was acquired to add to the portfolio.

The Property team continued to provide comprehensive estate and facilities management services across the Society's businesses. This included acquisitions, disposals, lease renewals, rent reviews, rating appeals, dilapidations negotiations and facilities management. The team also remains focused on assessing the Society's operational trading assets to identify development potential and alternative use opportunities.

Directors' Report

SUPPORT SERVICES & OTHER SOCIETY MATTERS

The Society prioritised colleague engagement, talent development, and safe, efficient retail operations. A Retail Apprenticeship trial was launched to create employment opportunities for young people, with plans to expand. Wellbeing initiatives included partnerships with GroceryAid and Wagestream, while colleague engagement improved through MyScotmid video updates and podcasts. The Grow Aspire Management Development Programme welcomed 45 participants for 2025/26, alongside a new Semichem Grow programme.

Finance supported day-to-day operations, project governance, and the integration of Fosters. Key projects included developing a new data warehouse, improving system processes, and preparing for SAP Finance changes. The team also managed the response to the Coop Group cyber incident, working with FRTS, Coop, and insurers.

IT focused on integrating Fosters Funerals, selecting a single management system and migrating all users to the Scotmid Microsoft tenant. A new data platform based on Microsoft Fabric was launched, with future plans to add data feeds and AI capabilities. The rollout of new tills and self-checkouts continued, now completed in Semichem and on track for all Food stores by Christmas. Cyber security was strengthened and a continuous improvement store was introduced to test future innovations and technologies.

Profit Protection enhanced safety through security upgrades, body-worn cameras, and partnerships with Police Scotland alongside the relaunch of a Shrinkage Academy to educate staff.

Sustainability progressed with a wind farm power purchase agreement covering 40% of usage from a sustainable source as well as planning for ESOS 4.

Compliance secured the new store license for Fountainbridge and hosted the "It'll Cost You" campaign launch, which tackles the issue of proxy purchasing alcohol for the under 18s.

Complementary diversification investments in Product Guru and The Start-Up Drinks Lab continue to be actively held. In the first half, Product Guru expanded its hybrid model with more in-person and online huddles, and successfully hosted its first international event in Paris. The Drinks Lab pivoted from manufacturing to focus on higher-margin agency services, relocating to Glasgow city centre, reducing overheads, and preparing for stable, profitable growth now this transition is complete.

The Society's loss before tax was £1.8m, a drop of £2.6m from 2024. The supply issues resulting from the Coop Group cyber-attack translated to a reduction in trading profit alongside additional incident-related exceptional items, including delivery charges and customer vouchers. Net assets increased to £125.4m, up £3.8m from July 2024, with the rise driven by an improvement in property valuation and reduction in pension deficit at the year-end in January 2025.

Capital spend was constrained in the period in line with trading performance. The biggest single spend area was the continued roll-out of the new tills and self-checkouts across the retail estate. There were also some additional food-to-go upgrades, funeral refurbishment works and improvements made to existing property assets.

Directors' Report



Top: Scotmid Food held its annual conference at the Glasgow Science Center in May. Left: The new Member Choice Awards which sees more local good cause groups being awarded with funding. Above: The investment in new technology continues including the rollout of new tills and self-checkouts. Below: Graduates of the 'Grow Aspire' programme.



Directors' Report



The conclusion of our charity partnership with Maggie's and Cancer Focus Northern Ireland.

MEMBERSHIP & COMMUNITY

The Society continued to deliver on its core purpose through a broad range of community-focused and co-operative initiatives. Marking the International Year of Co-operatives, Scotmid supported a civic reception at the Scottish Parliament hosted by Paul Sweeney MSP—an event celebrating the vital role co-operatives play in creating fairer, more sustainable communities. The “Design a Garden” competition inspired creative entries from young people across Scotmid communities, with the winning design—recognised for its inclusivity and environmental vision—set to be brought to life at Scotmid’s Head Office.

The Society invested £300,000 in Student Co-op Homes to purchase a property in Glasgow, to be democratically managed by the Glasgow Student Housing Co-operative. Scotmid President Eddie Thorn represented the Society at a 10 Downing Street reception for co-operative and mutual leaders, where ministers reaffirmed their commitment to doubling the size of the UK’s co-op sector.

£37,000 was awarded to community groups through the Member Choice Awards, the successor to Community Connect. More than 60 groups benefit from this initiative

each year, with members deciding funding allocations through in-store voting. The Society’s charity partnership with Maggie’s—offering free practical, emotional, and social support to those affected by cancer—remained a central focus, fundraising efforts continued until late August 2025 and saw a final total of £288,000 being raised.

APPRECIATION

The Board is grateful for the commitment shown by colleagues across stores, logistics and support functions during a demanding period. Their professionalism, care for customers and willingness to adapt under pressure made a real difference.

The Directors would also like to thank members and customers for their support and loyalty over the last six months. The Society remains committed to its core purpose of serving our communities and improving people’s everyday lives.

Signed on behalf of the Directors

Eddie Thorn, President

Michael Ross, Vice President

Interim Statement of Group Trading Activities

	26 July 2025 £000	27 July 2024 £000
Turnover	213,181	214,007
Profit		
Trading profit	112	2,054
Exceptional items	(606)	145
Operating Profit	<u>(494)</u>	<u>2,199</u>
Net finance charges	(950)	(1,105)
Surplus before distributions	(1,444)	1,094
Share interest/grants and donations	(370)	(341)
(Loss)/surplus before taxation	<u>(1,814)</u>	<u>753</u>
Net Assets		
Fixed assets	168,514	162,159
Net current liabilities	(2,043)	(25,398)
Long term liabilities	(31,691)	(940)
Provisions for liabilities and charges	(8,859)	(8,022)
Pension liability	(510)	(6,244)
Net assets	<u>125,411</u>	<u>121,555</u>
Cash Flow		
Inflow from operating activities	5,737	2,126
Net interest, grants and donations	(1,277)	(1,313)
Corporation tax refund	740	1,654
Capital expenditure/acquisitions	(3,474)	(2,159)
(Loss)/proceeds from sale of fixed assets	(51)	328
Increase/(decrease) in members' share capital	6	(22)
Movement in net debt	<u>1,681</u>	<u>614</u>
Net Debt		
Opening net debt at beginning of year	(23,749)	(22,150)
Reduction in period	1,681	614
Closing net debt	<u>(22,068)</u>	<u>(21,536)</u>

NOTES TO THE INTERIM STATEMENT

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

Board Members

The following tables show the number of meetings attended by each member of the Board or Committee compared to the total number of meetings held in the period (shown at the bottom of each table). Meetings held from 26 January 2025 - 26 July 2025

Board Directors	Board	Audit	Remuneration	Search	General Purposes
Mr E Thorn (P)	7			2 (C)	0 (C)
Mr M Ross (VP)	7	2			0
Mr A Clark Hutchison	5	2(C)			
Mr I Gilchrist	7		1		
Mrs K Harmon	5		0		
Mr K Kelly	7			2	
Dr R McCready	7		1 (C)		0
Mrs S McSorley	7			2	
Mr J Mills	6		1		
Mr D Paterson	7	2			
Mr A Simm	6	2			
Mr B Weddell	7			2	
Total Meetings Held	7	2	1	2	0

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

The Chair, Vice Chair and Minute Secretary for the Regional Committees are appointed annually. This year's appointments were made on 8 May 2025.

The following changes to the composition of the Board committees took effect on 22 May 2025: Brian Weddell moved from the Search Committee to the Audit Committee and Andy Simm moved from the Audit Committee to the Search Committee.

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. 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, Scotmid Coop Life Services 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.

Regional Committee Members

East Regional Committee		West Regional Committee		North Regional Committee	
Mr E Thorn (C)	4	Mr M Ross (C)	4	Dr R McCready (C)	4
Mr D Paterson (VC)	4	Mrs K Harmon (VC)	2	Mrs D Taylor (VC)	1
Mrs R McCabe (MS)	4	Ms M Nolan (MS)	4	Mrs S McSorley (MS)	4
Mr J Baxter	0	Mr S Ballantyne	2	Mrs S Downie	4
Mr A Clark Hutchison	3	Mr S Curran	4	Ms E Farquhar	4
Mr D Costello	2	Mr S Ewart	0	Mrs J Garnes	3
Mrs H Dalley	4	Mr I Gilchrist	3	Mr A Hutchison	2
Mr C Henderson	4	Mr J Glenly (E 28/05/25)	2	Mr C Mackenzie-Walsh (E 29/05/25)	1
Mr J Hendrie	3	Mrs M Kane	3		
Mrs L Hinds	4	Mr J Mills	4	Mr A MacLeish	4
Mr K Kelly	3	Mr G Randell	2	Mr J Martin	3
Mr J Mackenzie	4	Mr D Simpson	4	Mr D Patterson	4
Mrs G Thornton	3	Mr C Sim	4	Ms E Pipe	4
Mr B Weddell	4	Mr A Simm	2		
Total Meetings Held	4	Total Meetings Held	4	Total Meetings Held	4

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



Scotmid 

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