THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2015

The **Midcounties Co-operative**

Half Year Report 2016/17
For the 26 weeks ended 23rd July 2016

Society highlights

The Society scored a maximum 5 star rating in Business in the Community's Corporate Responsibility Index

All our 44 nurseries now have a Good or Outstanding rating from Ofsted

Food Retail performed well, recording like for like sales growth of 1.14%

Our membership continues to grow and now stands at over 600,000

Travel had a record half year with gross sales up 9% and profits up 50%

We achieved the Fair Tax Mark for the third year running

Who we are

About us

The Midcounties Co-operative is the largest independent co-operative society in the UK. We operate a range of businesses in Food, Travel, Healthcare, Funeral, Childcare, Energy, Post Offices and Flexible Benefits.

Our heartlands are in Oxfordshire, Gloucestershire, Buckinghamshire, Shropshire, Staffordshire, the West Midlands, Wiltshire and Worcestershire. However, we also trade in the surrounding counties and our Energy, Childcare, Travel and Flexible Benefits businesses trade across the UK.

We have four core values that guide the way we work - Democracy, Openness, Equality and Social Responsibility. These are derived from the values and principles of the co-operative movement. We believe they demonstrate the strength of co-operation and set us apart from our competitors.

DEMOCRACY
Ensuring the views of our members are reflected in the way the Society is run

OPENNESS
Being open, honest and fair in our dealings with everyone we come into contact with

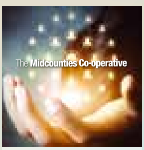
EQUALITY
Recognising the contribution that everyone can make to develop the Society

SOCIAL RESPONSIBILITY
Reflecting our responsibilities to the wider community in the way we conduct our business

We have created an Imagined Future to inspire all our activity and all that we strive to achieve:

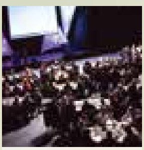
The **Midcounties Co-operative**

OUR **IMAGINED** FUTURE



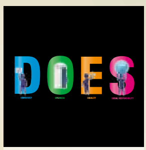
The Midcounties Co-operative is part of a thriving global co-operative movement, a leader, role model and powerful influencer recognised around the world.

We put membership at the heart of all we do which is reflected in how we engage with members via a range of interactions.



We are an inclusive employer where colleagues are fully engaged and are our biggest champions.

We are an organisation proud of our heritage, our independence and our local roots.



We are a commercially successful, sustainable, values driven business which is trusted by the public, loved by its members and supportive of its suppliers.

We are creating a 'better, fairer world' by building strong local communities.

President's overview

We have engaged with more than 13,000 members directly and recruited 53,000 new members.

Ruth FitzJohn

Members own Midcounties. We trade your successful, sustainable businesses to enhance the lives of our colleagues, members, customers and the communities we serve. Running businesses which beat to the rhythm of our values is the first step, but I want to highlight some of the other ways we've delivered our community goals over the past half year.

Firstly, we have to ensure we engage with members all the time to listen and ensure we have your confidence. Over the last six months, we have engaged with more than 13,000 members directly, we've recruited 53,000 new members and now have 20 regional communities providing a local focus to our co-operation. If you want to influence how the success of your Society rewards your own community, engaging with your regional community is the place to start. The Gloucestershire regional community for example put on a local Fun Day in August where 12,000 people enjoyed a fantastic family event, supported by 150 colleague volunteers, and raising £37,000 for the three local charities chosen by the regional community – a real triumph for local co-operation.

Midcounties beat its own half year target and recycled 90% of its waste, bettering last year's equivalent by 6%, this diverted 2,000 tonnes of waste from landfill. Clearly such an achievement is delivered store by store and branch by branch – dream big, act local indeed.

How else has Midcounties enhanced the lives of colleagues, members, customers and the communities we serve in the last half year? About £75,000 was put aside to hand out in grants across our communities. More than 15,000 hours were volunteered by our colleagues in their communities. We have provided 227 work experience placements and supported 4,700 young people through various activities including for example employability skills workshops. We've been in schools and universities, conferences and award ceremonies adding value and showing that co-operation works.

I hope you approve and if you have ideas to build on this please join your regional community and help us set new challenges.

Ruth FitzJohn
President

Chief Executive's review

Our Food Retail business has continued the upward trend with like-for-like sales growth of 1.14%

Ben Reid OBE

I am pleased to report that despite the ongoing and emerging challenges facing the economy, Midcounties has made solid progress towards its strategic objectives. In particular, our Food Retail business has continued the upward trend that took hold in the last quarter of 2015 with like-for-like sales growth of 1.14%, and our Travel and Funeral businesses have delivered strongly.

Elsewhere, we have reviewed operations in our Healthcare business, addressed the customer service issues that arose in Co-operative Energy last year, the business is now well-positioned for further growth, and made real headway in the development of our regional community agenda as noted in the President's report. Since the half year date we have announced the acquisition of a chain of four nurseries to help further grow our Childcare business.

Gross sales increased by 1.25% to £644.1 million and profit before significant items is at £5.3 million, slightly behind our plans, reflective of the difficult environment.

We have invested £7.6 million in the first half of the year in site acquisitions, branch refurbishments and IT, while our net borrowings at 23 July 2016 are £12.1 million, a very comfortable level.

The UK's decision to leave the EU has introduced further uncertainty into the economy, in particular, from the Society's perspective, volatility in exchange rates, the stock market and record low gilt yields.

It is difficult to predict the long term effects, but the short term impact has been relatively muted given our hedging policies for the purchase of energy, although if the recent ultra low gilt yields post-Brexit do not rebound, the year-end pension deficit is likely to be impacted. In the medium term, most financial commentators are indicating some inflationary pressures on goods and services. However, the Society is well placed to deal with these potential uncertainties.

So, the first half of 2016/17 has seen a mixture of ongoing and emerging challenges, but I am confident our strategy of developing businesses and initiatives which display a real co-operative difference, delivering excellent customer service by an engaged and committed workforce will continue to prove that co-operation is the best way of doing business.

Ben Reid OBE
Chief Executive

Food Retail

"We are pleased to report like for like growth of 1.14% for the first half year, our third consecutive quarter of like for like sales growth"

The retail industry continues to be very competitive. Given this we are pleased to report like for like growth of 1.14% for the first half year, our third consecutive quarter of like for like sales growth. Coupled to this, and as a result of costs being consistently controlled, the business was ahead of its sales and profit forecasts at the half year.

We completed the rollout of our 'Talk to Us' online feedback programme through which customers provide feedback on their shopping experience. We had over 15,000 responses which provided invaluable information for our new 'Customer First' improvement programme. This three year programme was launched in April and will deliver improvements throughout our business.

Other highlights include:

- the introduction of a revised local sourcing strategy featuring the 'Best of our Counties' with over 150 producers offering more than 1,200 lines
- sponsorship of the Cotswold Life Food & Drink Awards and developing a partnership with the newly formed 'Cotswold Taste' producer group
- the launch of our new apprenticeship programme which had over 350 applicants for 30 places
- the development of a new Customer Service training programme for our convenience stores
- making the coffee shops in our supermarkets available for 'free' for bookings by community groups
- a partnership to support community village buses in Chipping Norton.

We are continuing to invest in our stores, opening three new convenience stores in Chorleywood, Worcester and Swindon. We have also begun a multi-million pound investment programme to refurbish our convenience store estate starting with the first store in Woodstock, Oxfordshire. This has incorporated many of the elements that have been successful in the refit and expansion of our Chipping Norton supermarket, including an enhanced locally sourced range, improved technology and a community and member engagement area.

Travel

“The group had a record half year, with gross sales up 9% and profits up 50%”

This has been a challenging half year for the travel industry. Global events have led to a number of key destinations being withdrawn from sale or seen as unattractive, and our customers have found western Mediterranean resorts expensive. The sterling exchange rate has also been poor. Nonetheless, the group has recorded a record half year, with gross sales up 9% and profits up 50%.

Our branches have performed well as customers look for greater trust and confidence. Our Personal Travel Agent business continues to flourish with nine specialist new agents joining this year and a 15% growth in sales; and our Consortium saw four new businesses join and a 30% growth in sales.

The business has received more awards. Co-operative Travel was voted the Best Travel Agent in Central England at the Agent Achievement Awards along with the best use of Social Media in the Industry thanks to our ‘selfie with the Gecko’ campaign; and our Personal Travel Agents business was voted one of the Top 50 Travel Businesses in the UK by TTG.

We have introduced our Member Travel Club offering even greater value exclusively for members and colleagues, with monthly offers including premium rates for foreign exchange and limited availability offers.

Our own stock Co-operative Rooms and Co-operative Holidays continue to grow. Half the rooms we sell now come from our own contracted arrangements.

We have recruited six new apprentices with no previous travel industry experience. We continue to work closely with our partner schools and colleges to deliver interactive lessons on sustainable tourism in conjunction with our partnerships with Just a Drop and The Travel Foundation Charities. We also signed an exciting new business partnership with G Adventures, an ethical travel company, who offer small group travel.

While trading remains challenging, the outlook is positive with our partner airport at Birmingham seeing increased capacity for Summer 2017 most recently with Jet 2, who are committed to 15 new routes, with four aircraft and over 500,000 new seats.

Energy

“Our customer base has increased in the first 6 months of the year by 12% to 255,000”

Despite operating in a challenging market, Co-operative Energy has not only continued to grow its customer base, but also improve the service offered to its members and customers. As a result our customer base has increased in the first 6 months of the year by 12% to 255,000.

The difficulties associated with the introduction of a new billing system last year have largely been overcome and we remain committed to providing all our customers and members with the service they deserve. This has been reflected in our half year Customer Loyalty Index score, showing the highest level for over two years.

We have established two dedicated Training Academies, exclusively for the use of Co-operative Energy colleagues. This enables us to support personal development and succession planning.

Co-operation remains a vital principle to help us become an energy supplier with a difference, putting our customers, members and communities first. We have hosted Membership Advisory Panels to gain feedback on both operational matters as well as building member engagement.

Our energy sourcing strategy is facilitating the expansion of community energy generation projects – we now have 16 power purchase agreements with community energy providers and there are more in prospect. We also organised the UK’s largest annual gathering of community energy experts at our fourth Community Energy Conference taking place in September 2016.

In addition, to deliver lower carbon energy at fair prices, we reinforced our commitment to avoid using coal and to source up to three-quarters of our electricity from renewable sources over the next three years.

Healthcare

"We have dispensed two million prescription items, the same level as last year"

The Healthcare sector continues to be challenging with the Department of Health announcing cuts to the community pharmacy sector, with some unanticipated reductions to NHS reimbursements also affecting margins. Despite this we have dispensed two million prescription items, the same level as last year and our over the counter sales are ahead of budget as we continue to strengthen new key categories.

A high profile consumer campaign increased awareness of the new Electronic Prescriptions Service (EPS), and we are pleased to report that EPS now represents 48% of all our prescriptions compared with 23% last year. Our Online Doctor service continues to grow with new treatments launched and further enhancements planned.

We have been providing our members with member specific offers and will be launching a new Healthcare Members Program this autumn. This will see members receiving a package of free and discounted healthcare services together with discounted branch and online offers. We have also successfully launched a new Hearing Check Service which is being rolled out across selected branches.

Our Pharmacy in Stourport has relocated to within the main part of the Co-operative Food store. The new look Pharmacy provides an open layout and a new combined Consultation Room DIY Health Hub to deliver improved health services such as free health checks for members.

We carried out a strategic review of our branches identifying 11 which did not support our long term strategy. We are in the process of divesting these and are working with those colleagues directly affected.

We also announced a new central support structure to ensure the support we provide to our branches is appropriate for a more streamlined business. This included a new dedicated Healthcare trainer to reinforce our commitment to the learning and development of our colleagues.

Funeral

"Improvements to our funeral plan product have led to a 31% increase in our funeral plan sales compared to the first half of last year."

The first half of 2016 has been challenging. In particular, the high death rate experienced in the UK in 2015 has declined by 4% in the first six months. While the number of funerals we have conducted so far has mirrored this decline, overall we have retained our market share.

We continue to see an increasing shift in awareness and demand for pre-paid funeral plans driven by media coverage of funeral poverty and the rising cost of funerals. Rising cemetery and crematoria fees are fuelling the increase in costs, with the average UK funeral cost predicted to increase a further 25% by 2020.

Funeral plan sales growth has formed a significant part of our strategy for 2016. We have improved our funeral plan product offering, making our plans more accessible and affordable for members through an enhanced member discount and improved monthly payment options.

This has led to a 31% increase in our funeral plan sales compared to the first half of last year, and a 5% increase in trade with our members.

We have delivered a number of initiatives in the first half of 2016 including our Social Responsibility Supplier Charter in our masonry and coffin operations. In January, we partnered with Ecoffins in the UK to offer a new range of eco-friendly coffins and caskets. Ecoffins are recognised by the World Fair Trade Organisation for their use of raw materials chosen for their sustainability and low environmental impact. For example, their production techniques minimise greenhouse gas emissions.

Our strategy of Building Strong Communities has continued this year as we continue to support our local communities, for example by helping to clean up community areas and working with local schools and academies to support students with career development skills.

Childcare

“All our nurseries now have a Good or Outstanding rating from Ofsted”

All our nurseries now have a Good or Outstanding rating from Ofsted, a long held ambition of the business. Pleasingly, we also won the Top Business Index Award at the annual Nursery Management Today Top 20 Awards, an event that recognises the people and businesses who are most influential in the sector.

At the beginning of 2016 we reviewed our nursery estate, resulting in a merger and two nursery closures. However, in line with growth plans and our commitment to providing communities with high quality childcare we have exchanged contracts for the acquisition of four further nurseries in the West Midlands area, to bring our portfolio to 48 nurseries from September 2016.

The Childcare sector remains unsettled as we respond to new Government initiatives, not least the Government's promise to increase funding from 15 to 30 free hours for 3 and 4 year olds. Given the service we already provide is underfunded, the promise of additional funding hours at the same hourly rate puts all operators under additional pressure. There is also further pressure on financial performance with the introduction of the National Living Wage. Despite these challenges, we will not compromise on quality and remain resolute in providing the best quality childcare for the children in our care.

We continue to build relationships with local colleges both to help develop young people and to provide a steady stream of new colleagues. We currently partner with 13 colleges where we deliver masterclasses to students and offer interview practice.

The Childcare team is also committed to delivering our targets on community projects and charity fundraising. So far this year colleagues have committed 1,554 paid hours toward community projects, raising over £4,500 to help our charity partners.

Post Office

"We were the first Co-operative to take part in a Post Office Ltd pilot programme to raise awareness and develop the sales of key Post Office products"

Our focus has remained on serving our local communities and securing a sustainable business model for the future. We were the first Co-operative to take part in a Post Office Ltd pilot programme to raise awareness and develop the sales of key Post Office products at selected sites, allowing us to offer friendly support and information on Post Office products that suit the needs of our customers and members.

We continue to strive to deliver the best customer experience within our local communities where the brand is trusted and loved. With our local high streets continuing to change and banking services reducing, we need to ensure our communities know we can provide the services our members need.

We acquired a further three Post Offices in the first half of the year at Headington in Oxfordshire, Rodbourne in Wiltshire and Winchcombe in Gloucestershire to bring out total estate to 77.

Flexible Benefits

"Flexible Benefits continues to trade exceptionally well and provide a high level of service to its customers"

In July 2016 the Government confirmed that its Tax Free Childcare scheme, which is to replace the existing Childcare Voucher Scheme, will be phased in from early 2017, therefore we now have until April 2018 to sign up new Childcare Voucher users. Our strategy is to continue to focus on gaining new business and offering new products and services while maintaining excellent customer service.

To increase new business and grow our existing client accounts we launched two new products, a National Car Parking scheme and a National Gym Membership scheme. We also launched a new website to promote our benefits portfolio and attract new clients. This has been supported by a social media campaign to raise awareness of our products and the impact of the Tax Free Childcare scheme.

"I am confident our strategy of developing businesses and initiatives which display a real co-operative difference, delivering excellent customer service by an engaged and committed workforce will continue to prove that co-operation is the best way of doing business."

Membership & Co-operative Social Responsibility

"We have launched a further nine Regional Communities bringing the total to 20"

Our membership continues to grow to over 600,000, an increase of 20%.

Our AGM in May was well attended and during June members took part in the second Co-operative Fortnight "Big Clean" initiative with 15 events taking place across the Society.

Our spring 2016 Green Pioneers from The Warriner School in Banbury, Oxfordshire and Grace Academy in Darlaston, West Midlands completed the second stage of the programme by conducting a sustainability audit on our Chipping Norton and Walsall Town Centre food stores.

We have launched a further nine Regional Communities bringing the total to 20. Each Regional Community has identified two opportunities to work with members and colleagues to make an impact in their community. Analysis of the Regional Community programme shows a number of positive impacts – 90 press releases have been generated, an increase of 200%, and 19,000 products have been donated to food banks, an increase of 375%.

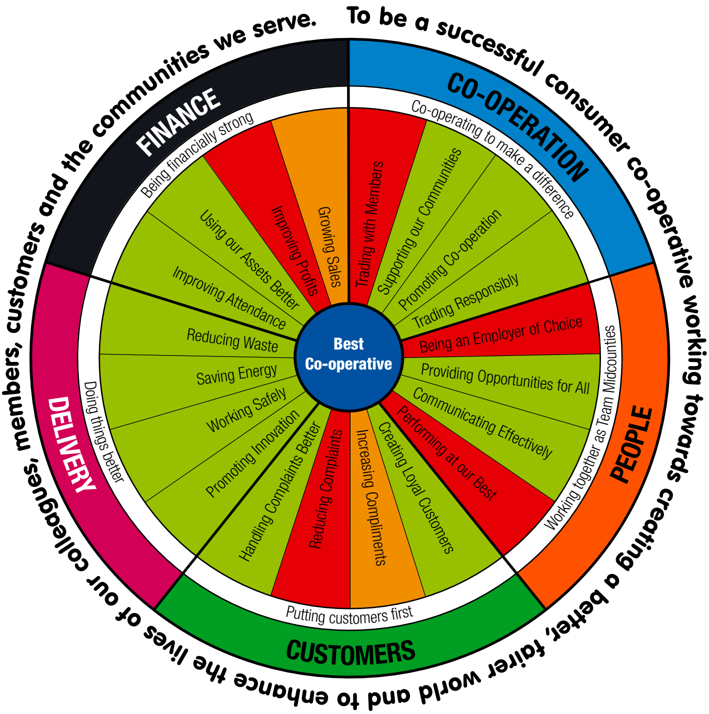
We have contributed money raised through the 5p carrier bag levy to local good causes through our Regional Community and Keeping it Local programmes. Over 40 local good causes have been supported.

We achieved a number of awards including the Fair Tax Mark for the third year running and the maximum 5 star rating in Business in the Community's (BITC) Corporate Responsibility Index, one of only three organisations awarded this score in the country. We also won the 'Overall Excellence in Social Responsibility' award at the National Corporate Social Responsibility Awards.

For the second year in succession we have been reaccredited with BITC's Responsible Business Awards for 'Supporting our Communities' and 'Sustainable Products and Services'.


FTS

Reporting our Steering Wheel



Steering wheel

As a co-operative we believe there is more to being a successful business than profits alone.

So, as well as measuring our financial performance we use our Steering Wheel to measure our performance in the key areas of co-operation, people, customers and delivery. Each section of the wheel has a number of objectives which we monitor on a monthly basis.

On these pages is an overview of how we have performed against our Steering Wheel targets during the first half of the year. We report more fully on these activities in our Annual Report and Accounts.

Co-operation

Trade with members

Percentage of trade with members: 40.44% (last year 43.9%)

Supporting our communities

Hours volunteered in the community by colleagues: 15,200 (last year 11,500)

Promoting co-operation

Number of members involved in co-operative activity: 13,100
(last year 11,700)

Acting ethically

Value of ethical trade: £44 million
(last year £33 million)

People

Being an employer of choice
Percentage of controllable colleague turnover as a moving annual total: 19.9% (last year 18.3%)

Providing opportunities for all
Percentage of colleagues with NVQ2 equivalent or above: 86%
(last year 88%)

Communicating effectively
Percentage attendance rate at Colleague Council meetings: 86%
(last year 87%)

Performing at our best
Percentage of colleagues receiving annual performance reviews: 57%
(last year 94%)

Customers

Creating loyal customers
Customer Loyalty Index: 79
(last year 74)

Complaints
Number of customer complaints: 10,400 (last year 7,000)

Compliments
Number of customer compliments: 5,900 (last year 6,000)

Handling complaints better
Percentage of customers who agreed we responded well to their complaint: 75% (last year 57%)

Delivery

Promoting Innovation
Number of ideas implemented having a positive impact on another Steering Wheel measure: 4
(last year 4)

Working safely
Number of accidents/incidents reported as a moving annual trend: 801 (last year 787)

Saving energy
Reduction in energy use compared to last year: 1.9% (last year 2.6%)

Recycling
Percentage of waste recycled: 90%
(last year 84%)

Interim Income Statement

for the 26 weeks ended 23 July 2016

	Notes	**26 weeks to 23 July 2016 (Unaudited)**	26 weeks to 25 July 2015 (Unaudited)	52 weeks to 23 January 2016 (Audited)
		£'000	£'000	£'000
Revenue	2	**464,485**	472,498	926,705
Cost of sales		**(337,517)**	(348,924)	(680,815)
Gross profit		**126,968**	123,574	245,890
Operating expenses		**(121,682)**	(117,115)	(230,371)
Operating profit before significant items		**5,286**	6,459	15,519
Significant items	3	**(240)**	(1,622)	118
Operating profit		**5,046**	4,837	15,637
Finance costs		**(2,271)**	(2,387)	(4,940)
Profit before payments to and on behalf of members		**2,775**	2,450	10,697
Payments to and on behalf of members		**(3,480)**	(4,006)	(4,286)
(Loss)/profit before tax		**(705)**	(1,556)	6,411
Income tax expense		**(142)**	(79)	(1,639)
Transfer (from)/to reserves		**(847)**	(1,635)	4,772

Consolidated Statement of Financial Position

as at 23 July 2016

	As at 23 July 2016 (Unaudited) £'000	As at 25 July 2015 (Unaudited) £'000	As at 23 January 2016 (Audited) £'000
ASSETS			
Non-current assets			
Property, plant and equipment	**192,616**	201,138	203,279
Intangible assets	**67,155**	59,152	58,939
Investment property	**13,507**	12,584	13,538
Other investments	**45,209**	40,967	43,160
Deferred tax assets	**2,347**	7,913	2,347
Total non-current assets	**320,834**	321,754	321,263
Current assets			
Other investments (current)	**3,581**	3,231	3,410
Stocks	**24,722**	29,143	25,663
Trade and other receivables	**133,578**	128,102	159,056
Cash and cash equivalents	**34,229**	19,615	21,037
Current tax recoverable	**1,329**	43	1,440
Assets held for sale	**8,987**	14,576	4,166
Total current assets	**206,426**	194,710	214,772
TOTAL ASSETS	**527,260**	516,464	536,035
LIABILITIES			
Current liabilities			
Loans and borrowings (current)	**2,780**	1,929	2,619
Financial liabilities	**-**	25	61
Trade and other payables	**208,264**	196,529	209,323
Provisions (current)	**550**	408	608
Current tax liabilities	**-**	-	-
Total current liabilities	**211,594**	198,891	212,611
Non-current liabilities			
Loans and borrowings	**43,596**	55,931	54,788
Other payables	**48,426**	43,324	45,733
Provisions	**724**	963	837
Pension obligations	**47,124**	62,071	48,271
Total non-current liabilities	**139,870**	162,289	149,629
TOTAL LIABILITIES	**351,464**	361,180	362,240
NET ASSETS	**175,796**	155,284	173,795
EQUITY			
Share capital	**48,093**	41,654	44,642
Other reserves	**43,068**	44,160	43,068
Retained earnings	**84,635**	69,470	86,085
TOTAL EQUITY	**175,796**	155,284	173,795

Consolidated Statement of Cash Flows

for the 26 weeks ended 23 July 2016

	26 weeks to 23 July 2016 (Unaudited) £'000	26 weeks to 25 July 2016 (Unaudited) £'000	52 weeks to 23 January 2016 (Audited) £'000
Cash flows from operating activities			
Profit for the period	**(847)**	(1,635)	4,772
Adjustments for:			
Depreciation	**5,558**	5,544	11,003
Amortisation of intangible assets	**372**	78	362
(Profit)/Loss on sale of property, plant and equipment	**(132)**	41	(3,872)
Impairment of property, plant and equipment	**-**	-	116
Change in fair value of investment property	**-**	-	(440)
Change in fair value of trading property	**-**	(68)	1,931
Net finance expense	**2,271**	2,387	4,940
Payments to and on behalf of members	**3,480**	4,006	4,286
Income tax expense	**142**	79	1,639
Change in working capital	**21,301**	12,383	(829)
Income tax received/(paid)	**(30)**	(572)	(1,962)
Net cash from operating activities	**32,115**	22,243	21,946
Cash flows from investing activities			
Interest received	**120**	115	296
Proceeds from sale of non-current assets	**758**	1,209	15,298
Purchase of non-current assets	**(8,452)**	(8,820)	(18,485)
Net cash used in investing activities	**(7,574)**	(7,496)	(2,891)
Cash flows from financing activities			
Proceeds from issue of share capital	**6,464**	5,481	12,139
Repayment of share capital	**(3,487)**	(6,471)	(11,190)
Loan arrangement fees	**-**	-	(114)
Interest paid on borrowings	**(1,353)**	(1,454)	(3,107)
Repayment of bank facilities	**(11,125)**	(15,391)	(15,750)
Repayment of finance lease liabilities	**(524)**	(280)	(626)
Payments to and on behalf of members and share interest paid	**(1,324)**	(1,831)	(4,184)
Net cash used in financing activities	**(11,349)**	(19,946)	(22,832)
Net increase in cash and cash equivalents	**13,192**	(5,199)	(3,777)
Cash and cash equivalents at start of period	**21,037**	24,814	24,814
Cash and cash equivalents at end of period	**34,229**	19,615	21,037

Notes to the Financial Statements

1. Accounting Policies

This interim financial report is for the 26 week period ended 23 July 2016. The information included within this document has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in issue that are endorsed by the European Commission (EU) and effective to 23 January 2016.

This financial information should be read in conjunction with the Society's Annual Report and Accounts for 2015-16, which were prepared in accordance with IFRS as adopted by the EU, and has been prepared using the accounting policies set out in that report.

The Society's Financial Statements for 2016-17 will be prepared in accordance with IFRS as adopted by the EU.

2. Revenue	2016 Gross sales £'000	2016 Revenue £'000	2015 Gross sales £'000	2015 Revenue £'000
Food	280,410	255,228	285,398	259,274
Funeral	15,747	15,489	15,362	15,142
Healthcare	19,694	19,410	20,890	20,545
Travel	169,265	35,881	155,201	37,015
Childcare	14,494	14,462	14,333	14,312
Energy	127,480	120,306	127,213	122,174
Post Offices	1,377	1,368	1,463	1,453
Flexible Benefits	13,793	579	14,176	564
Other	78	49	245	194
Retail revenue	642,338	462,772	634,281	470,673
Property rentals	1,716	1,713	1,828	1,825
	644,054	464,485	636,109	472,498

3. Significant items

Significant items constitute non-underlying items of income and expenditure based upon their one-off nature, magnitude or volatility that would otherwise distort the underlying financial performance of the Society.

	26 weeks to 23 July 2016 (Unaudited) £'000	26 weeks to 25 July 2015 (Unaudited) £'000	52 weeks to 23 January 2016 (Audited) £'000
Analysis of significant items:			
Net profit/(loss) on disposal of property, plant and equipment	132	(41)	3,872
Change in fair value of trading properties	-	68	(1,931)
Change in fair value of investment properties	-	-	440
Expense of business acquisitions	(98)	(70)	(151)
Impairment of property, plant and equipment	-	-	(116)
Restructuring costs	(274)	(1,579)	(1,996)
	(240)	(1,622)	118

Independent review report to The Midcounties Co-operative Limited ("the Society")

Introduction

We have been engaged by the Society to review the financial information on pages 18 to 21 in the half-yearly report for the six months ended 23 July 2016 which comprises the Interim Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Society in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Society those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been prepared and approved by, the directors.

As disclosed in note 1, the annual financial statements of the Society are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report have been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Our responsibility

Our responsibility is to express to the Society a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly report for the six months ended 23 July 2016 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

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For and on behalf of KPMG LLP
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1 October 2016

The **Midcounties Co-operative**

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Printed on: 100% Recycled stock
Designed by: The Midcounties Co-operative Design Studio