

# The Midcounties Co-operative

Half Year Report 2017/18  
For the 26 weeks ended 29 July 2017



## NEW EXCLUSIVE MEMBER APP

ENJOY YOUR VIRTUAL MEMBERSHIP CARD ON YOUR SMARTPHONE  
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## Society highlights

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We were one of only three businesses to achieve a score of 100% in Business in the Community's Responsibility Index, achieving 5 star status

All of our nurseries continue to be rated Ofsted Outstanding or Good, with nearly 40% rated as Outstanding

We have grown our membership base by 31,000 to 673,000 members

Travel's gross sales are up by almost 9% and foreign exchange sales have increased by 12% year-on-year

Food Retail like-for-like sales up 2.3% on last year, with the convenience division trading up by 3.5%

Funeral conducted 3.6% more services than during the first half of last year

Following on from the acquisition of GB Energy, Co-op Energy now has 390,000 customers and half year sales of £210 million

We helped educate 3,000 young people about the Fairtrade movement during the first half of the year

# 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



Co-operators have always been innovators and The Midcounties Co-operative continues that great tradition with fresh ideas and roll outs always coming through.

**Ruth FitzJohn**

Your Society has delivered a good first half year and our businesses continue to change and adapt in a very uncertain environment. Co-operators have always been innovators and The Midcounties Co-operative continues that great tradition with fresh ideas and roll outs always coming through.

This report is full of examples of these initiatives and key developments as we strive to meet the changing needs and expectations of our members and the wider communities we are so proud to serve. Below are just a few of the highlights.

Travel, which has had a really excellent first half of the year, has launched a new partnership with Travelife who run a certification programme for hotels and accommodation recognised by the Global Sustainable Tourism Council. Funeral has introduced a new low-cost 'Simple Funeral'. Childcare is trialling an online approach for parents to keep in touch with their children's activities in nursery. Food, which has now seen seven consecutive quarters of like-for-like sales growth, has introduced self-scan credit card checkouts in a number of convenience stores. The team has also rolled out in-store cookery stations and made great progress with our fabulous local sourcing programme – 'Best of our Counties'. Energy has launched a new Community Energy strategy to reinforce our position as the UK's leading supporter of locally-generated low-carbon energy and now offers an energy saving service helping customers use less energy and source from, for example, solar or wind generation.

Our Regional Communities programme, where local groups set out to meet the needs of their communities, goes from strength to strength in tailoring their activity to their locality. Innovations for our colleagues include a biometric time-recording and personnel record system, giving more information to colleagues so they are more in control of their working arrangements.

These, and the many other developments taking place across the Society, are all signs of an organisation willing and able to adapt and change. That's a strong place to be as we face together the challenges that lie ahead.

A handwritten signature in black ink that reads "Ruth FitzJohn".

Ruth FitzJohn  
**President**

## Chief Executive's review



Midcounties has made strong progress in the first half of 2017 with sales and profits ahead of plan and last year.

**Ben Reid OBE**

Midcounties has made strong progress in the first half of 2017 with sales and profits ahead of plan and last year. Gross sales have increased 16% to £747.2 million and profit before significant items is at £5.4 million.

We have seen very positive sales increases in our Food, Travel and Energy businesses. Food has performed particularly well with like-for-like growth of 2.3%, and our Travel business has had an exceptional first half with an overall sales increase of 9% and all parts of the business contributing. The acquisition of the GB Energy customer base, completed in the final quarter of 2016, has led to a significant sales increase in Energy.

Net capital expenditure was £9.3 million, and net debt fell to £16.3 million, giving a gearing of 9.4% – a very comfortable level.

We have continued to invest in our businesses with new developments and initiatives, both co-operative and commercial, to support our longer term plans. The President has provided a number of examples in her report, and you will find more in the trading reviews on the following pages.

So, a very satisfactory start to the year.

However, trading conditions continue to be challenging, and the business environment as a whole remains uncertain given Brexit. Competition is fierce, particularly in Energy and Food, our two biggest businesses, and, in particular, we have seen higher levels of food inflation coming through. Our forecasts indicate a more challenging second half of the year.

But the Society is well placed. We have great, committed colleagues, a range of businesses and, of course, the strength of our co-operative model to support us as we go forward. I look forward to reporting the year end results.

A handwritten signature in black ink, appearing to read 'Ben Reid', with a stylized flourish underneath.

Ben Reid OBE  
**Chief Executive**

## Trading group overviews



## Food Retail

“Food Retail has had a positive first half of the year with like-for-like sales up 2.3% on last year, and convenience trading up by 3.5%.”

**Food Retail has had a positive first half of the year in difficult trading conditions, with like-for-like sales up 2.3% on last year, and convenience trading up by 3.5%. We saw particularly strong sales growth over Easter with like-for-likes up 3.8% compared to the corresponding two weeks in 2016.**

We have opened a new convenience store in Rissington, Gloucestershire, which is performing ahead of plan, and work on creating our new supermarket in Bourton-on-the-Water is well underway. The store is due to open later this year. Codsall and Finchampstead have benefited from refurbishments and we have converted our Churchstoke store, previously a Tuffins store, into a Coop Plus, with new concessions, a plant centre and clothing range. We have also introduced concessions elsewhere in our estate – Subway at Norton Canes and Chozen Noodle, complete with a Deliveroo service, at our Leamington Spa branch.

We have been trialling some new ways of working, including introducing self-scan checkouts at two of our convenience stores, adding movable racking at

new stores to make replenishing the shelves quicker and easier, and testing a new workforce management system at five sites to allow us to better align our colleagues' working hours with customer flows and task requirements. We have also introduced a new point of sale ticketing system to improve the way we communicate our offers to customers, and our store managers are all now undertaking a Wine Training qualification.

We have continued to build our local supplier base. Our second annual local suppliers' conference hosted 200 suppliers, providing updates on our three year plan for the Best of our Counties programme and opportunities for supplier networking. We have launched a Cotswold Pale Ale, brewed exclusively for the Society by Hook Norton Brewery, and another new line, Best of Our Counties Honey Gin, launched live on BBC South at our Summertown store. The Best of our Counties range has also received coverage on the BBC evening news, which looked at the importance of provenance and our support for the Happerley project, whose passport technology we use to trace the food origins of our produce.



## Travel

“Our overall Group performance has seen gross sales increase by almost 9% compared with last year, with foreign currency sales increasing by an impressive 12%.”

**The Travel Group has had a very strong first half of the year with our branches, Personal Travel Agents and Consortium all delivering better than budgeted results. Our overall Group performance has seen gross sales increase by almost 9% compared with last year, with foreign currency sales increasing by an impressive 12%.**

Work has been taking place on improving our online offering which is being strengthened with the launch of a new website due in the coming months. This will provide improved search functionality and an increased number of products bookable online, with more personalised and engaging content. We are also looking to build on the possibilities digital marketing will bring for the remainder of the year, particularly the use of social media to generate sales. In the first half of the year 12% of our Personal Travel Agents' bookings came through social media; we anticipate this will increase to more than 20% over the next three years.

We are continuing to develop our offering and preparation is now underway for the launch of our new Business Travel division. We have launched a new

store design at our Solihull branch, providing a modern environment that will be used as a template to update our branches going forward. We have also launched a new partnership with Travelife who run a certification programme for hotels and accommodation recognised by the Global Sustainable Tourism Council.

Our continued focus on cruise holidays is giving us increased exposure and brand recognition in the industry and with consumers. We were pleased to win the Rising Star Award from Celebrity Cruises and we ran our first ever TV campaign in conjunction with P&O Cruises earlier in the year. We were also finalists at the Agent Achievement Awards for Best use of Social Media and Promotion of the Year – Large Agencies, while our Retail branches were recognised as the best in the Midlands category, one of our Personal Travel Agents, Jo Saunders, won Leisure Agent of the Year, and Alistair Rowland, who leads the Group, was recognised for his outstanding contribution to the Travel Industry.



## Energy

“To reinforce our position as the UK’s leading supporter of locally-generated low-carbon energy we launched our new Community Energy strategy in March.”

**Co-op Energy has performed well compared to its competitors in what is a very challenging market. At the end of 2016 we began servicing the customers of the failed energy supplier GB Energy Supply under Ofgem’s Supplier of Last Resort mechanism. The process has gone smoothly with a higher proportion of GB Energy customers remaining with the business than expected. The acquisition takes our customer numbers to 390,000 and our half year sales to £210 million.**

We have been working to improve the customer experience. To ensure our colleagues are fully equipped with the skills they need we have changed our induction training. Every colleague now spends 18 days in training before speaking to a customer. We have launched a new Manage to Succeed development programme to improve the skills of our line managers, and our Members’ Advisory Panel has already made a significant contribution to the redesign of customer bills and will continue to influence operational activity and product design.

As a result of these, and other changes, our operational performance metrics continue to improve and our customer satisfaction scores are now consistently higher than last year.

To reinforce our position as the UK’s leading supporter of locally-generated low-carbon energy we launched our new Community Energy strategy in March. The strategy sets out nine targets that will be reviewed and reported on annually.

We are supporting the roll-out of Smart Meters and trialling innovative new ‘time of use’ and ‘local energy’ tariffs. One trial in Bethesda, North Wales allows customers to use energy at off-peak times and when local, low-carbon generation is active, to benefit from substantial cost savings of between 10-30%. We have also renewed our low-carbon commitments with a pledge to ensure that at least 75% of our energy mix is from renewables by the end of 2018. Our current mix is 54%.





## Healthcare

“In May we installed a new Patient Medication Record system, which allows us to manage all aspects of our dispensing business more efficiently.”

**The Department of Health introduced funding cuts of, on average, 12% across the Pharmacy sector towards the end of our last financial year. As a result, the business has had a challenging first half of the year as it manages the issues arising from these cuts.**

In May we installed a new Patient Medication Record (PMR) system, which allows us to manage all aspects of our dispensing business more efficiently. A repeat-dispensing function will improve efficiencies and customer service levels for customers who regularly use our services. In addition, customers will also be able to use the My Local Pharmacy app to order their prescriptions with us.

The PMR system will also help us to develop our relationship with GPs, through improved access to patient clinical information, and will give us a 'real-time' view of our stock, improving efficiencies in branch and allowing us to make better informed operational decisions.

We have been accredited by the Royal Society of Public Health as a Healthy Living Pharmacy training provider. This will allow us to maximise income from the new Quality Payments available to pharmacies. We achieved 100% compliance in the first round of payments, generating significant income for the business to help offset some of the funding cuts. We have also established an efficiencies project to identify further opportunities to maximise profits to help counteract the fall in funding.

We are now focused on delivering a new web platform combining all our online services in one place. The website will provide online prescriptions with home delivery, private prescriptions through online consultation, over the counter products, live doctor consultations, blogs and chat rooms, member exclusive prices and the ability to view membership points when logged in. The site is due to launch later in the year and will raise our profile in the online healthcare sector significantly.



## Funeral

“Funeral has had a strong first half of the year, conducting 3,838 funerals, an increase of 3.6% on the first half of last year.”

**Funeral has had a strong first half of the year, conducting 3,838 funerals, an increase of 3.6% on the first half of last year. 22% of our funerals have been funded through a pre-paid funeral plan, an increase of 17% on last year, a trend we expect to continue as more and more people come to see the benefit of paying for their funeral in advance.**

Investing in securing future business through the sale of funeral plans continued, with sales up 5% on last year. Our Life's More Rewarding membership campaign rewarded members with over £60,000 in Food vouchers as a thank you for purchasing funeral plans.

In June we launched our new Simple Funeral, which offers families a lower-cost funeral service for their loved one with the comfort of knowing our high standards of quality are not compromised.

A key focus for the business has been the development of our eco-friendly funeral credentials. We are trialling a new LifeArt Earthcare coffin range made from enviroboard™ technology, an innovative material that produces 60% less emissions than a traditional wood

vener coffin. We have also received our first electric hearse this summer and will be testing it over the coming months.

A number of our funeral homes have been significantly remodelled to offer our clients and members a more comforting service and environment. In particular, the creation of our Lullaby suites in key locations has been well received by bereaved parents.

We have also been investing in our colleagues, supporting five colleagues in their studies for the National Association of Funeral Directors Diploma, and 17 colleagues through the NVQ Level 2 qualification. As part of their development the management team completed independent behavioural profiling, which allows individuals to focus on their management development skills; and we have reshaped our Colleague Council meetings so our management team have more direct involvement and can work more closely with colleagues on business improvement projects.



## Childcare

“We are pleased to report that all our nurseries continue to be rated Ofsted Outstanding or Good, in fact, nearly 40% are rated as Outstanding.”

**The Group has had a good start to the year and, together with our recently acquired First Steps nurseries, is performing ahead of plan and last year.**

We have carried out research to support a rebranding exercise, following feedback from colleagues, customers, members and the public. To date we have softened our tone of voice, revised the brand guidelines and updated our five Little Pioneer characters. For the second half of the year we will be trialling a new brand and associated logo - 'Little Pioneers nursery and pre-school'.

The integration of the four First Steps nurseries acquired last autumn has gone well and their associated Forest School is being enjoyed by children from nearby Co-operative Childcare nurseries. Our Wellington Road nursery has been merged into our Finchfield nursery, creating our first 150 place setting that provides Ofsted Outstanding-rated care. We are pleased to report that all our nurseries continue to be rated Ofsted Outstanding or Good. In fact, nearly 40% are rated as Outstanding.

Ofsted now requires all newly qualified practitioners to hold a paediatric first aid certificate. We have invested in the training and equipment to deliver this qualification in-house and pledged to have all colleagues First Aid trained over the next three years. This will deliver significant cost efficiencies and also help us towards achieving the Millies' Mark accreditation, recognised nationally as a commitment to the safety of children.

Additionally, the group has been rolling out the Iconnect system, which allows colleagues to use tablets to track each child's development on screen rather than on paper, providing easier access to this information for parents.

We have also been preparing for the 30 Hours Free Childcare programme introduced on 1 September by the Government, to ensure our nurseries can fulfill the demand from the communities they serve. While we welcome initiatives that provide access to high quality childcare for everyone, the level of funding we are due to receive will not be enough to cover the cost of delivering the additional places.



## Post Office

“During the first half of the year we have invested in further training for our colleagues by employing a Retail Post Office trainer.”

**During the first half of the year we have invested in further training for our colleagues by employing a Retail Post Office trainer. The new training post has been created to support colleagues working in selected convenience stores which also provide Post Office services, to make sure we are offering consistently good customer service when operating a Post Office.**

We were also pleased to acquire the Post Office in Watlington, Oxfordshire, to ensure this valuable service remained in the local community.



## Flexible Benefits

“Payroll donations have increased 25% year-on-year with over 40% more donors compared to the previous year.”

**The Group has had a strong start to the year and is performing well ahead of its financial budget.**

We have been looking to attract new business to help mitigate the impact of the Government’s childcare voucher scheme and the 30 Hours Free Childcare programme introduced in September.

Payroll donations have increased 25% year-on-year with over 40% more donors compared to the previous year. Our Cycle 2 Work scheme has had a successful period, including securing a partnership opportunity with a competitor, allowing us to deliver the scheme to their entire client base.



**BEST OF OUR COUNTIES**  
alls Farm

**LOCALLY PRODUCED  
IN  
WARWICKSHIRE**

“ We have continued to invest in our businesses with new developments and initiatives, both co-operative and commercial, to support our longer term plans. ”





## Membership & Co-operative Social Responsibility

“We have recruited over 31,000 new members, bringing our total membership base to 673,000.”

**We have recruited over 31,000 new members, bringing our total membership base to 673,000. We have also been developing ways to engage with our membership base digitally, including launching a member app and streaming our AGM live for the first time. We had nearly 600 members in attendance at the event and almost 100 more viewing online.**

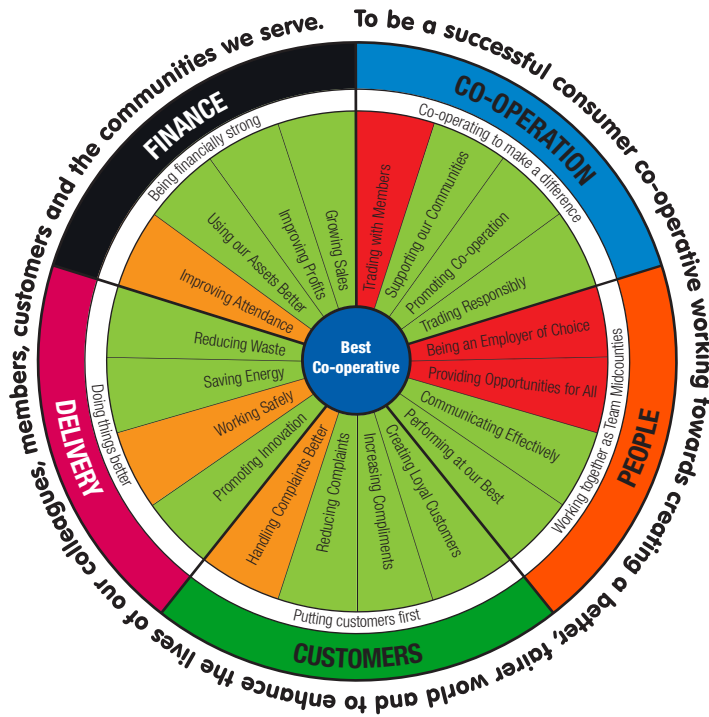
We have produced 20 localised impact reports to help tell the story of our regional community activity and to promote the impact our community activities have on their local communities. Each report shows how many organisations and charities we have helped in the local area. In the past six months alone, with the support of our customers, members and colleagues, we have collected 20,000 products for foodbanks, enough to feed 400 families, and raised £20,000 to support victims of the Grenfell fire. It's these kinds of actions that contributed to our 5 star rating in Business in the Community's Responsibility Index with a score of 100%, one of only three businesses to achieve this level.

We have been spreading the word about the great things co-operatives do. Along with hundreds of other co-operatives across the UK, we told #coopstories across our social media channels in June as part of Co-operatives Fortnight. Additionally, as part of our Fairtrade education, we worked with over 3,000 young people to teach them about the importance of the Fairtrade movement. Our work with young people has been recognised at the Responsible Business Awards where our Green Pioneers programme made the final shortlist.

As well as sharing the importance of sustainability, we have also been cutting our own emissions, reducing our CO<sub>2</sub> emissions by over 500 tonnes through on-going energy saving activity in the first half of the year. In recognition of our overall sustainability activity we have been successfully re-accredited with Business in the Community's 'Sustainable Products and Services' award.



# 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:  
**40.0%** (last year 40.4%)

### Supporting our communities

Hours volunteered in the community  
by colleagues: **16,400** (last year 15,200)

### Promoting co-operation

Number of members involved in  
co-operative activity: **12,800**  
(last year 13,100)

### Acting ethically

Value of ethical trade: **£48 million**  
(last year £44 million)



## People

**Being an employer of choice**  
Percentage of controllable colleague turnover as a moving annual total: **20.7%** (last year 19.9%)

**Providing opportunities for all**  
Percentage of colleagues with NVQ2 equivalent or above: **75%** (last year 86%)

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

**Performing at our best**  
Percentage of colleagues receiving annual performance reviews: **97%** (last year 57%)

## Customers

**Creating loyal customers**  
Customer Loyalty Index: **81** (last year 79)

**Complaints**  
Number of customer complaints: **7,200** (last year 10,400)

**Compliments**  
Number of customer compliments: **7,400** (last year 5,900)

**Handling complaints better**  
Percentage of customers who agreed we responded well to their complaint: **76%** (last year 75%)

## Delivery

**Promoting Innovation**  
Number of ideas implemented having a positive impact on another Steering Wheel measure: **5** (last year 4)

**Working safely**  
Number of accidents/incidents reported as a moving annual trend: **1,007** (last year 801)

**Saving energy**  
Reduction in energy use compared to last year: **2.8%** (last year 1.9%)

**Recycling**  
Percentage of waste recycled: **96%** (last year 90%)

# Interim Income Statement

for the 26 weeks ended 29 July 2017

	Notes	<b>26 weeks to 29 July 2017 (Unaudited)</b>	26 weeks to 23 July 2016 (Unaudited)	53 weeks to 28 January 2017 (Audited)
		£'000	£'000	£'000
Revenue	2	<b>551,513</b>	464,485	979,232
Cost of sales		<b>(427,426)</b>	(337,517)	(731,186)
Gross profit		<b>124,087</b>	126,968	248,046
Operating expenses		<b>(118,702)</b>	(121,682)	(236,608)
Operating profit before significant items		<b>5,385</b>	5,286	11,438
Significant items	3	<b>618</b>	(240)	(3,280)
Operating profit		<b>6,003</b>	5,046	8,158
Finance costs		<b>(2,239)</b>	(2,271)	(4,561)
Profit before payments to and on behalf of members		<b>3,764</b>	2,775	3,597
Payments to and on behalf of members		<b>(2,639)</b>	(3,480)	(3,572)
Profit/(loss) before tax		<b>1,125</b>	(705)	25
Income tax expense		<b>(288)</b>	(142)	674
Transfer to/(from) reserves		<b>837</b>	(847)	699

# Consolidated Statement of Financial Position

as at 29 July 2017

	26 weeks to 29 July 2017 (Unaudited) £'000	26 weeks to 23 July 2016 (Unaudited) £'000	53 weeks to 28 January 2017 (Audited) £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	202,447	192,616	199,380
Intangible assets	94,895	67,155	92,551
Investment property	12,432	13,507	12,422
Other investments	53,952	45,209	50,652
Deferred tax assets	4,363	2,347	4,862
<b>Total non-current assets</b>	<b>368,089</b>	<b>320,834</b>	<b>359,867</b>
<b>Current assets</b>			
Other investments (current)	3,811	3,581	4,011
Other financial assets	3	-	69
Stocks	22,514	24,722	24,805
Trade and other receivables	173,641	133,578	208,773
Cash and cash equivalents	27,360	34,229	41,805
Current tax recoverable	1,667	1,329	1,854
Assets held for sale	3,398	8,987	3,092
<b>Total current assets</b>	<b>232,394</b>	<b>206,426</b>	<b>284,409</b>
<b>TOTAL ASSETS</b>	<b>600,483</b>	<b>527,260</b>	<b>644,276</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings (current)	4,373	2,780	4,806
Trade and other payables	265,267	208,264	281,669
Provisions (current)	4,601	550	17,196
<b>Total current liabilities</b>	<b>274,241</b>	<b>211,594</b>	<b>303,671</b>
<b>Non-current liabilities</b>			
Loans and borrowings	39,308	43,596	55,171
Other payables	54,902	48,426	52,297
Provisions (non-current)	1,962	724	1,979
Pension obligations	57,209	47,124	59,026
<b>Total non current liabilities</b>	<b>153,381</b>	<b>139,870</b>	<b>168,473</b>
<b>TOTAL LIABILITIES</b>	<b>427,622</b>	<b>351,464</b>	<b>472,144</b>
<b>NET ASSETS</b>	<b>172,861</b>	<b>175,796</b>	<b>172,132</b>
<b>EQUITY</b>			
Share capital	53,705	48,093	53,150
Other reserves	43,631	43,068	43,631
Retained earnings	75,525	84,635	75,351
<b>TOTAL EQUITY</b>	<b>172,861</b>	<b>175,796</b>	<b>172,132</b>

# Consolidated Statement of Cash Flows

for the 26 weeks ended 29 July 2017

	26 weeks to 29 July 2017 (Unaudited) £'000	26 weeks to 23 July 2016 (Unaudited) £'000	53 weeks to 28 January 2017 (Audited) £'000
<b>Cash flows from operating activities</b>			
Profit for the period	837	(847)	699
Adjustments for:			
Depreciation	4,937	5,558	10,611
Amortisation of intangible assets	1,820	372	906
(Profit)/Loss on sale of property, plant and equipment	(1,794)	(132)	(3,632)
Change in fair value of investment property	-	-	(56)
Change in fair value of trading property	-	-	824
Net finance expense	2,239	2,271	4,561
Payments to and on behalf of members	2,639	3,480	3,572
Income tax expense	288	142	(674)
Change in working capital	2,589	21,301	21,733
Income tax received/(paid)	397	(30)	(296)
<b>Net cash from operating activities</b>	<b>13,952</b>	<b>32,115</b>	<b>38,248</b>
<b>Cash flows from investing activities</b>			
Interest received	18	120	667
Proceeds from sale of non-current assets	3,712	758	8,852
Purchase of non-current assets	(13,058)	(8,452)	(29,847)
<b>Net cash used in investing activities</b>	<b>(9,328)</b>	<b>(7,574)</b>	<b>(20,328)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	4,812	6,464	11,235
Repayment of share capital	(4,690)	(3,487)	(3,607)
Proceeds from new loans	-	-	15,000
Interest paid on borrowings	(1,308)	(1,353)	(3,160)
Repayment of bank facilities	(16,125)	(11,125)	(12,249)
Repayment of finance lease liabilities	(347)	(524)	(990)
Payments to and on behalf of members and share interest paid	(1,411)	(1,324)	(3,381)
<b>Net cash used in financing activities</b>	<b>(19,069)</b>	<b>(11,349)</b>	<b>2,848</b>
<b>Net increase in cash and cash equivalents</b>	<b>(14,445)</b>	<b>13,192</b>	<b>20,768</b>
Cash and cash equivalents at start of period	41,805	21,037	21,037
<b>Cash and cash equivalents at end of period</b>	<b>27,360</b>	<b>34,229</b>	<b>41,805</b>

# Notes to the Financial Statements

## 1. Accounting Policies

This interim financial report is for the 26 week period ended 29 July 2017. 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 28 January 2017.

This financial information should be read in conjunction with the Society's Annual Report and Accounts for 2016-17, 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 2017-18 will be prepared in accordance with IFRS as adopted by the EU.

2. Revenue	2017	2017	2016	2016
	Gross sales £'000	Revenue £'000	Gross sales £'000	Revenue £'000
Food	287,394	260,338	280,410	255,228
Funeral	17,076	16,834	15,747	15,489
Healthcare	16,259	16,035	19,694	19,410
Travel	183,777	40,035	169,265	35,881
Childcare	16,305	16,277	14,494	14,462
Energy	210,203	198,200	127,480	120,306
Post Offices	1,399	1,388	1,377	1,368
Flexible benefits	13,026	611	13,793	579
Other	44	39	78	49
Retail revenue	745,483	549,757	642,338	462,772
Property rentals	1,759	1,756	1,716	1,713
	<b>747,242</b>	<b>551,513</b>	644,054	464,485

## 3. Significant items

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

	26 weeks to 29 July 2017 (Unaudited)	26 weeks to 23 July 2016 (Unaudited)	53 weeks to 28 January 2017 (Audited)
	£'000	£'000	£'000
Analysis of significant items:			
Net gain on disposal of property, plant equipment and investment	1,794	132	3,632
Properties and assets held for sale	-	-	(824)
Change in fair value of trading properties	-	-	56
Change in fair value of investment properties	(114)	(98)	(136)
Expense of business acquisitions and disposals	(1,062)	(274)	(745)
Restructuring costs	-	-	(3,716)
Energy customer experience costs	-	-	(1,547)
Onerous lease			
	<b>618</b>	(240)	(3,280)

## Independent review report to The Midcounties Co-operative Limited (“the Society”)

### Conclusion

We have been engaged by the Society to review the condensed set of financial statements in the half-yearly report for the six months ended 29 July 2017 which comprises the Interim Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 29 July 2017 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IAS 34 Interim Financial Reporting as adopted by the EU.

### 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. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

### Directors’ responsibilities

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

As disclosed in note 1, the annual financial statements of the Society are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 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.

### The purpose of our review work and to whom we owe our responsibilities

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.

### Simon Purkess

#### for and on behalf of KPMG LLP

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## The **Midcounties Co-operative**

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