

The **co-operative**

Annual Report &
Accounts 2007/2008

The Midcounties Co-operative

Investing in the future



The Midcounties Co-operative

The Midcounties Co-operative is a consumer co-operative owned by its members. Our main activities are in retailing with food, motor, funeral, pharmacy, travel and post office outlets. We also run day nurseries and a childcare vouchers business, and we operate the .coop domain name business.

We have stores and branches mainly in Oxfordshire, Gloucestershire, Wiltshire, Berkshire, Shropshire, Worcestershire, Staffordshire and the West Midlands. We also trade in the surrounding counties.

Our aim is to be a successful consumer co-operative working towards creating a better, fairer world, and to enhance the lives of our colleagues, members, customers and the communities we serve.

Like all co-operatives, we subscribe to the values and principles of the international co-operative movement. Co-operatives are founded on the values of self-help, self-responsibility, democracy, equality, equity, solidarity, honesty, openness, social responsibility and caring for others.

The co-operative principles are guidelines by which co-operatives put their values into practice:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Co-operation among co-operatives
- Concern for community



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“ trading profit before significant, one-off items increased by 11% to £11.9 million ”

“ we now offer 160 Fairtrade products - the widest range offered by any supermarket ”

“ all our electricity is sourced from 100% green energy sources ”

“ net investment reached £38 million ”

“ gross sales increased by 20% to £712 million ”

“ member dividend increased to 1p per point ”

“ 14,847 hours given to community work ”

“ we achieved Investor in People across all trading groups ”

Directors' report

President's report

On behalf of the members and of the Board, I would like to thank the management team and all who work for the Society for the tremendous efforts that they have made in 2007.

This has led to trading results that have substantially exceeded our expectations in what we always knew would be a difficult year.

This success in the market place pays the wages of the 7,000 or so men and women who work for the Society. It is the basis for all of the services we provide for our members and customers across 17 counties, through our 464 food stores, pharmacies, travel agencies, funeral parlours, car showrooms and nurseries. It gives us the credibility and the strength to work with our friends to ensure that the co-operative movement as a whole continues to grow and to develop. And it makes our continuing role as an agent for progress and change in the wider community possible. We achieve this through programmes such as Fairtrade, Local Harvest, our work on energy and the environment and by supporting a wide range of local social and cultural initiatives.

At a time when the survival of a diverse and locally accountable co-operative retail movement is under threat as never before, our ability to compete successfully against the private sector is the key to our whole future as an independent organisation, which is genuinely democratic and responsive to its members.

The trading successes of the last 12 months have not been easy and many difficult decisions have been taken to build a Society that is united, integrated and efficient. This process must continue over the coming year and a review of our rules will complete the process of integration. This, alongside renewed efforts to concentrate our resources where we can compete most effectively, will allow us to respond to exciting new challenges in the economic and social spheres.



Patrick Gray
President



Chief Executive's report

It is pleasing to be able to report that we have had another successful year.

2007 was the year we put the merger behind us and really developed a new Midcounties culture. The results are a testimony to the energy and enthusiasm put in by all our colleagues as they have streamlined processes and procedures across the Society.

As stated later in the report, co-operatives should not merely be judged on their level of profitability, essential though that is, but also on how effectively they put their co-operative values and principles into practice. I believe we can show we have done just that using our very successful Steering Wheel which identifies the key co-operative non-trading targets and measures our performance against them.

There are two highlights from a busy year that stand out for me. Firstly the response of our members to our appeal to help fellow members who had been affected by the severe flooding in July last year. We raised £80,000 in a very short period of time and were able to provide immediate support to a significant number of members. The letters of gratitude the Board received from families where we had made a real difference will remain in my memory for many years.

The second big moment was at the Royal Albert Hall in London, in the presence of HRH The Prince of Wales and Al Gore, where we received recognition for the work that we had done to support village stores that had been set up as local co-operatives and for our work on sourcing food locally. Two years previously The Midcounties Co-operative didn't even exist and here we were being lauded above all of the giants of the plc sector who so desperately wanted to swap places. A good evening indeed!

It has, therefore, been a good year for your Society by any measure. But we are not complacent. We understand that we face real challenges during 2008 as retail spending tightens. However, I am confident that if everyone approaches 2008 in the way they did in 2007, I will be reporting more success next year.



Ben Reid
Chief Executive



Getting the balance right...

Co-operatives have an even greater challenge in managing their performance than other forms of business. Co-operatives exist to balance running a social business whose aim is to serve their members' needs, with meeting their members' aspirations to support their communities, campaign on ethical issues and promote co-operation. This contrasts with mainstream companies whose main purpose is to increase profits.

At the Society balancing these demands is achieved through a device called the Steering Wheel. This avoids the danger of asking managers to pursue profit objectives without being aware of the other aspects of the co-operative. Its aim is to ensure that the Society makes progress in five key areas.

Finance - it has to achieve a level of sales and profitability that will ensure its long term success.

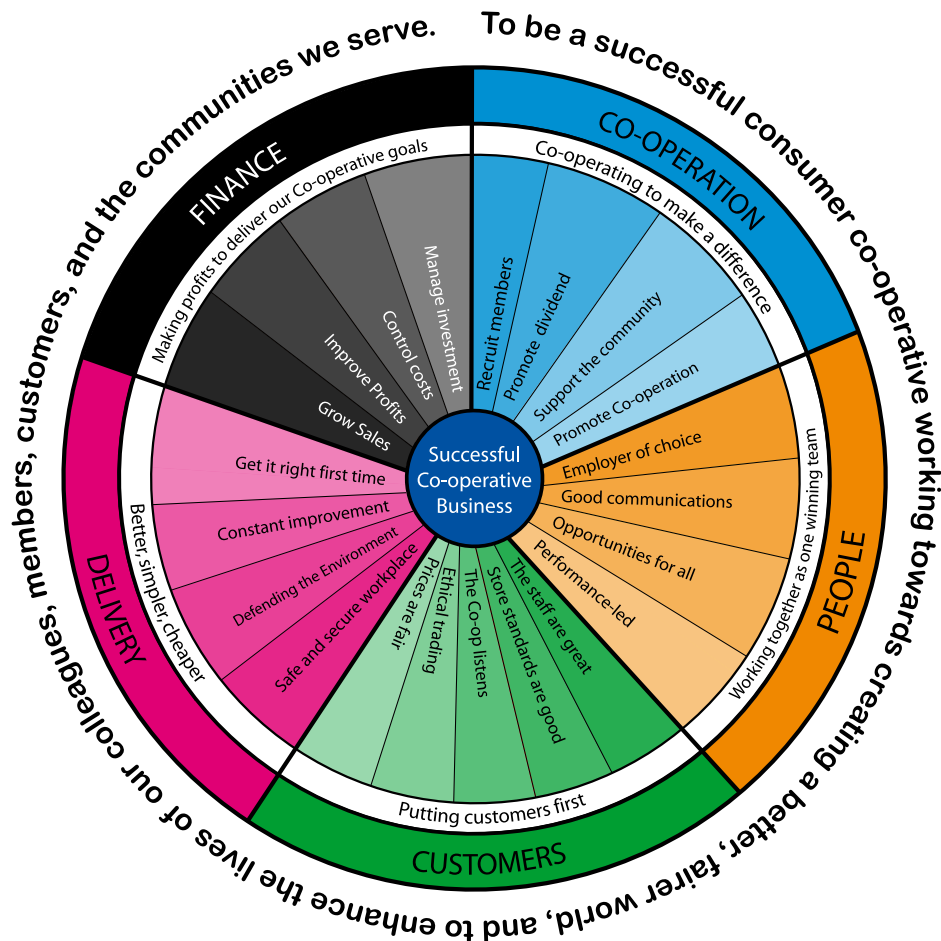
Delivery - it has to deliver constantly improving service for its customers whilst seeking to defend the environment.

Customers - it has to get its standards right, listen to how it can improve and be at the forefront of ethical trading.

People - none of this can be achieved without the support of the team of people who deliver this service. So it is vital that they feel supported and are given a clear direction.

Co-operation - this is our unique difference where we seek to engage our customers as members and to support our communities in a co-operative way.

This is our steering wheel



The Steering Wheel helps to create this balance by giving managers targets in all areas of the wheel, not just financial ones. It lets them see what the Society wants to achieve in every aspect of its co-operative identity. The Steering Wheel is a familiar sight to everyone who works for us.

For the first time, our annual report is being presented in the same sections as those of the Steering Wheel to enable readers to understand the progress that has been made in each aspect of the Society's work. Hence, the following sections of this report are split into the five key areas of the Steering Wheel.

“none of this can be achieved without the support of the team”



Finance

- *Grow sales*
- *Improve profits*
- *Manage investment*
- *Control costs*



A successful balancing of profits and principles...

A successful co-operative business seeks to improve its profits whilst working within a framework of co-operative values and principles. In this section we look at our financial situation to see how we have performed with regards to our sales, profits and investments for the year.

In 2007 gross sales increased by 20% to £712 million (compared to £595 million in the previous year). All of our main trading operations enjoyed increased sales.

The yearly trading profit before significant, one-off items increased by 11% to £11.9 million (last year the profit was £10.8 million). In 2006 we benefited from one-off credits of £4.7 million, mainly made up of changes to pension benefits. Hence, our total trading profit this year was lower when compared to last year.

The Society transferred £5.6 million to reserves at the end of the year (last year £10.0 million) and we generated net cash of £16.9 million from our operating activities (last year £17.2 million).

Through the year we invested heavily, expanding the Society through acquisitions and refurbishing and rebranding new

outlets and existing sites. The net investment was £38 million compared with a net spend of £15 million in the previous year.

Our investments included £36 million on the acquisition of new businesses and sites and £15 million invested in property, plant and equipment. We also realised £12 million from the sale of assets.

Whilst we have yet to see a significant impact on profits from these acquisitions, the money invested should encourage continued growth in sales and see profits rise in the coming years.

Our total outgoing costs have increased compared with the previous year, reflecting the growth of the Society. However, the proportion of operating expenses to sales was maintained at 2006 rates despite significant increases in some costs - for example, our electricity charges increased by £2 million during the year.

Members' funds increased by 10% to £169 million (£154 million in 2006), illustrating the continued growth in the strength of our balance sheet.

For the first time this year our accounts have been prepared under International Financial Reporting Standards (IFRS). To make direct comparison easier last year's figures have also been restated under IFRS.



Individual trading groups all helped create this success story...

Food Retail achieved a total sales growth of 3.2% (excluding our major acquisitions) despite poor summer weather. This increase in sales, combined with good control of costs and performance over the key Christmas trading period in line with expectations, resulted in a 12% improvement in profitability, excluding our major acquisitions.

Motor Group increased sales by 2.6% compared to last year. This was in line with national sales trends. There were very strong performances from Volvo at Botley Road in Oxford and Volkswagen at Langford Lane in Kidlington. Profitability was maintained despite lower margins.

Pharmacy Group had an excellent year with an increase of 14% in sales compared to the previous year. Profitability was well ahead of budget due to stronger than anticipated margins and growth in the number of branches.

Funeral Group increased like-for-like sales by 2% despite a fall in the death rate. Profit margins were maintained and cost savings achieved.

Travel Group achieved a 5% increase in holiday sales but foreign exchange sales like-for-like were down on last year. A difficult trading environment also led to a reduction in the gross margin that could only partly be offset by a reduction in costs.

Our Childcare Group's sales increased by 16% with the number of childcare days sold increasing by 13%. The Childcare Vouchers business increased its turnover by 119% this year and quadrupled its trading profit, despite lower profit margins.

Domains Group, which sells the .coop internet name, also made progress with sales increasing by 9% and profit nearly doubling.

“through the year we invested heavily”



Delivery

- *Get it right first time*
- *Constant improvement*
- *Defending the environment*
- *Safe and secure workplace*



We seek to improve our delivery of services by expanding our offer...

Co-operatives exist to provide goods and services to their members. This section looks at how our businesses have developed their service offering during the year. It also considers the environmental impact of our service delivery.

The shape of the Society was transformed over the year through acquisitions and developments.

The largest acquisition was the purchase, in March 2007, of 150 Stars convenience stores and newsagents. This was the largest acquisition ever made by the Society and doubled the number of our food stores. Of these stores, 45 have since been converted to Co-operative convenience stores, a number have been sold and the remainder have formed a new CTN (Confectionery, Tobacco and News) Division.

We also acquired the Rusts group of 10 convenience stores, headquartered in Swindon, and a major independent supermarket at Hazlemere, High Wycombe. Altogether, these acquisitions increased the number of our Post Offices from 35 to 95, and we are now a major Post Office operator in the region.

We also opened new convenience stores in Stratford and Banbury, relaunched nine supermarkets and continued the rebranding programme to convert stores to the new national Co-operative brand, with 74 stores now converted.

In the Motor Group, our Wolverhampton Volvo and Hyundai dealerships became the first dealerships in the UK to be branded as Co-operative Motors to highlight their co-operative identity.

We opened new funeral homes in the Codsall and Tettenhall areas of Wolverhampton and refurbished five of our other homes. The Co-operative brand was introduced to a further six funeral homes, so 22 of our 68 funeral homes are now rebranded. Unfortunately, we had to close three homes due to poor trading results, two in Tipton and one in Cradley Heath.

Our Pharmacy Group acquired seven new pharmacies in Charlbury, Cinderford, Wolverhampton, Bicester, Wheatley, Lichfield and Dursley. It also refitted 10 branches to improve its offer to customers and continued to introduce the new national Co-operative brand to customers with 18 pharmacies now converted.

The Travel Group opened an in-store travel branch in our Carterton supermarket and our in-store branches at Cinderford, Kidlington, Lydney and Swindon were all refurbished and rebranded to the new Co-operative national brand.

Our Childcare Vouchers business continued to expand at a rate of 50 parents per week, and now over 10,000 parents use its services. This expansion included winning major accounts with the Department of Work & Pensions and The Co-operative Group.

Steady progress was also made by the Domains Group with over 675 new .coop domain names added in the last 12 months.



The Midcounties Co-operative has made a serious commitment to improving its environmental performance year-on-year...

We have created an Energy & Environment Team to address environmental issues throughout the Society and formed a steering group to take actions forward.

We purchase all our electricity from 100% green energy sources. This has helped us reduce our CO₂ emissions to 6.2 tonnes per £1m of turnover compared to 219 tonnes the previous year.

We are committed to reducing our energy consumption by 20% by 2010. A comprehensive programme is already underway to achieve this through, for example, energy saving light controls, time clocks, energy efficient lighting and improved refrigeration equipment. We have five 'green' stores trialing these and other initiatives, so we can assess which have the most significant impact, with a view to rolling them out more widely as stores are refitted. The Long Hanborough store pictured here is one of our 'green' stores.

We have installed photovoltaic panels to use solar energy at our head office site on Botley Road, Oxford. We are also seeking planning permission to install a wind speed test mast on land close to Botley Road and have plans to build an 850kw wind turbine there if permission is granted.

We offset the CO₂ from our business mileage and offer customers of our Travel and Motor Groups the opportunity to offset the carbon produced from their purchases of air travel and cars.

Funeral Group's range of coffins and caskets is made using wood from renewable forests and the launch of the Bag for Life in our supermarkets has seen a reduction of around 11.5% in the number of plastic carrier bags given away.

We have also produced a Sustainability Report giving more detail on our work and our plans for the future. In line with our commitment to reduce waste the report is available on our website www.midcounties.coop. If you require a paper copy please call our members' hotline on 0800 435902.

“we purchase all our electricity from 100% green energy sources”



Customers

- The staff are great
- Store standards are good
- The Co-op listens
- Ethical trading
- Prices are fair



Customer service is at the heart of all we do...

We have always prided ourselves on the service we provide, but also accept there is room for improvement. This section looks at actions we have taken to improve our customer service and also considers the work we do to meet the ethical aspirations of our members.

In our Food Retail Group there was an increased focus on customer service standards in response to feedback from our members and customers. This included revised customer service training for all colleagues on the new Co-operative brand, such as helping customers with bag packing and car parking.

Our customer service programme in our Cinderford supermarket received national recognition when we were finalists in the People in Retail Awards - Customer Initiative category. This programme has now been rolled out to a number of stores with very positive results.

Our Travel Group also focused on improving customer service through a programme to develop expertise in certain areas - for example, wedding co-ordinators and cruise specialists.

We know that delivering great customer service is vital in all our trading groups and it is always good when that service is recognised. So we were very pleased that our Volvo dealership in Wantage was awarded first place in Volvo's national league table for customer service. In addition, our Funeral Group won the Media Customer Services award for its Sutton Coldfield and Lichfield homes, and the Travel Group won a number of customer service awards too.

Recognition should also be given to all our colleagues who provide support to our trading groups. Whilst they work behind the scenes, the concept of good customer service is as important to them as it is to our frontline staff.

“an increased focus on customer service standards”



Ethical trading has remained one of the primary concerns of our co-operative...

Ethical trading is our opportunity to show our co-operative difference and to help create real change in the world.

At the forefront has been our support for Fairtrade. Fairtrade sales grew by 47% in 2007 and the number of Fairtrade products grew by 33% to 160, the widest range offered by any supermarket. Our commitment to stock a core range of Fairtrade products in every single store, including bananas, tea, coffee, chocolate and wine, is unique amongst retailers.

Our Local Harvest scheme was also expanded. All of our stores now offer a range of local products sourced from within 40 miles of each store. 25 local suppliers provide products to our stores, and sales of locally sourced products grew by 86% during the year.

Our Pharmacy Group was active in promoting a range of health issues including an asthma initiative and a stop smoking campaign. In addition, with rising concerns over children's weight and lifestyle, it took its Healthy Hound character to 16 schools to give children simple messages on exercise and improving diet.

Co-operative Motors in Wolverhampton saw an increase in sales and enquiries for cars adapted for disabilities, thanks to a competitive offer from Volvo Car UK on the S40 and V50 range. 12 new S40s were delivered in December with forward orders for 2008 looking promising. Our Motability initiative enables Co-operative Motors to meet the needs of the growing number of older and disabled motorists.

“Fairtrade sales grew by 47% in 2007”



People

- Employer of choice
- Good communications
- Opportunities for all
- Performance-led



Our people bring our co-operatives to life for our customers...

Recruiting, rewarding and retaining people who want to be part of our co-operative remains a key priority. This section looks at the actions we have taken in seeking to establish our co-operative as an 'employer of choice' and how we have measured our progress.

During the year the Society achieved the Investor in People standard (a nationally recognised indicator of good employment practices) across the whole of its diverse operations. To achieve this at any time would be a challenge, but to do so less than two years after a merger was exceptional.

A person's first experience of a new employer shapes how they will perform in their role. So we revised our induction

programmes to ensure that all colleagues have a positive introduction to the Society. The percentage of colleagues who had an induction within six weeks of joining us was 85%, with a marked improvement on this later in the year.

We encourage colleagues to become trade union members and we signed a partnership agreement with the Union of Shop, Distributive and Allied Workers (USDAW) to recognise the strong working relationship that has been developed with them over the years.

We developed our programme of Colleague Council meetings, where representatives from all parts of the organisation are able to raise issues and bring ideas to senior management to help improve the performance of the Society. In addition, this year saw the first Colleague Forum where members of all Colleague Councils met to hear of future developments and share their views.



A Diversity Steering Group was formed which, together with a number of focus groups, is looking at a wide range of diversity issues. This has already resulted in a clear strategy and action plan being produced.

Our annual Colleague Survey was our chance to see whether all these changes were generating a positive response from colleagues. This year's survey had an exceptionally high response rate of 89% compared with 75% last year.

The results showed that our overall colleague satisfaction rates had improved year-on-year. The greatest improvements were in the areas of putting customers first, pride, and experience and quality of management. Areas that were flagged for improvement were pay and benefits, staffing levels and questions about the effectiveness of Colleague Councils. Management are now looking at ways to improve these areas.

Individual trading and support groups have continued to invest in developing their teams. Our Motor Group

completed an extensive training programme for all customer service positions to align performance standards.

Our Childcare Group made a number of internal promotions to manager and deputy manager levels, reflecting its people development work. Our Funeral Group undertook a comprehensive in-house training programme (22% of funeral colleagues now have at least one professional qualification), and our Pharmacy Group continued to make progress in developing team leaders and increasing dispensing skills at all levels.

Staff turnover is one of the key measures we use to see how we are performing in our efforts to become an employer of choice. We were pleased that staff turnover fell from 36.91% to 35.09% during the year, an indication that we are moving in the right direction.

*“the Society achieved
the Investor in People
standard”*



Co-operation

- Recruit members
- Promote dividend
- Support the community
- Promote co-operation



Membership is a vital part of all that we do...

The right of all customers and colleagues who share our values and principles to become a member is one of the key aspects that makes a co-operative different. This section looks at what we have done to involve our members and how we have supported the communities we serve.

The year was an important and rewarding one for membership. Over 20,000 customers chose to become members thanks to membership promotions across all the trading groups, and we increased our share of profit payment to a penny per point, reflecting the Society's financial success over the year.

In addition, the new national branding for membership, The Co-operative Membership, was launched with the introduction of a new style membership card which can also be used in 80% of co-operative outlets in other parts of the country. The brand was promoted through a new membership magazine produced in co-operation with The Co-operative Group.

We focused our member development work on our local member groups, with existing groups being given greater support and new groups starting in Kidlington, Kinver, Brackley and Kidderminster. We are pleased that members are now starting to help us in our work by, for example, recruiting new members and lobbying on issues that matter to us.

Our two existing membership committees (the Active Member Support Group and the Community & Membership Development Committee) were merged to create a single Membership Strategy Committee for the whole of the Society. More information on the new committee is given on page 21.

Finally, as part of our drive to raise awareness of environmental issues, we hosted a members' conference achieving record satisfaction ratings from attendees. Even more important was the number of pledges to take environmental actions that were made by members on the day.

“members are now starting to help us in our work”



Supporting the communities we serve is the co-operative way...

In line with co-operative values and principles we believe in supporting the communities where we trade. This section looks at some of the support we have given during the year and the recognition this has received.

We return a percentage of our profits back into the local community. During the year we awarded £203,790 to deserving local community projects. Grants were used for a variety of purposes, for example, a new greenhouse for the residents of West View Sheltered Housing, story sacks to encourage reading at Eastrop Infant School in Highworth, and an automatic chemical dosing system for Highley outdoor pool. At the other end of the scale, one of the largest events we supported was the Oxford Children's Food Festival held in July 2007 which attracted 18,000 visitors.

This year our members and customers raised £80,000 to support 223 members affected by the very severe summer flooding in a number of the communities where we trade - an outstanding response by our members.

There was a massive increase in the number of hours given by our colleagues as community volunteers. A total of 14,847 hours were given to community work compared with 3,213 last year. Projects ranged from helping with riding for the disabled to reading with local school children

and decorating health centres. This work would have cost £215,133 if it had been paid for.

We were also strong supporters of developing other co-operatives and social enterprises in our area, with support given to Co-operative Futures, the Black Country Reinvestment Society and the Plunkett Foundation.

We were delighted to win two highly prestigious national awards for successful community projects in the annual Big Tick Awards for Excellence presented by Business in the Community. Big Ticks are given to organisations that demonstrate excellence in operating ethically and making a positive impact on society while generating benefits for the business itself.

The first Big Tick was in recognition of the Society's support for community owned village shops and for creating a successful local sourcing scheme. A second Big Tick was awarded for our work with a Wolverhampton school.

We also received recognition of our commitment to community work through winning the Business Working in the Community category in the Variety Club Midlands Business Awards in early 2008.

“we return a percentage of our profits back into the local community”



Measuring our co-operative performance



Co-operative Environmental and Social Performance Indicators

The Co-operative Environmental and Social Performance Indicators were launched by Co-operatives^{UK} in 2006. They encourage all co-operatives to report on the areas of their business that they need to get right as co-operatives so that their members can see where progress has been made and where attention is required. They work in a similar way to our Steering Wheel as the indicators were chosen to give an overview of all the areas in which a co-operative should make progress. We have reported on these since 2006.

This year we have grouped the indicators under the seven headings created by the International Co-operative Alliance (ICA) to identify the main areas that highlight the co-operative difference. The headings are based around the colours of the ICA logo.

People

People are vital in a co-operative and these indicators highlight key aspects of our role as an employer. The section also looks at customer satisfaction.

Participation of employees in training and education

The average learning hours per colleague was six hours (in 2006 the average was four hours). 92% of our colleagues now have clear objectives based around our Steering Wheel.

Staff injury and absentee rates

The total number of accidents reported last year was 751 compared to 684 reported accidents in 2006. The total number reported under RIDDOR (Reporting of Injuries Disease and Dangerous Occurrences Regulations) was 14 (compared to 14 in 2006). The average number of absence days per full time colleague was eight days (the same as in 2006).

Staff profile – gender and ethnicity

We employed a total of 7,387 colleagues at the end of January 2008, consisting of 2,424 males (32.8%) and 4,963 females (67.2 %) (in January 2007 we employed 6,400 colleagues - 34% males and 66% females). There are a total of 416 women in management grades (49% compared with 45% in the previous year). Currently 368 of our colleagues have an ethnic minority background (5%) compared to 257 colleagues (4%) in 2006.

Customer satisfaction

The Corporate Reputation Index, which measures the performance of co-operatives against the national brand fell from +3 to -10.

Products

This section looks at how the Society sets about procuring products for our customers. It consists of a statement on the policies that we have in place to ensure the highest standards of procurement.

Consideration of ethical issues in procurement and investment decisions

The majority of our procurement is done through our membership of the Co-operative Retail Trading Group (CRTG). We have supported the ethical buying policies of CRTG and have welcomed the publication of The Co-operative Group's Sustainability Report which makes a full and open declaration of its auditing of suppliers, the issues discovered and actions taken.

We have also made a number of our own decisions regarding the sourcing and promoting of products and services. These include:

- ensuring that the benefits of Fairtrade products are promoted as well as the products themselves
- seeking to work with local suppliers through our Local Harvest scheme and expanding the availability of Local Harvest products to all our food stores
- sourcing all our electricity from renewable energy sources
- switching the majority of our stationery printing to recycled paper
- appointing an Ethical Trading Manager in our Food Retail Group to co-ordinate the stocking and promotion of ethical products.

In addition, we continue to provide grants and investments to a number of organisations connected with the creation and promotion of new co-operative enterprises such as the Black Country Reinvestment Society, which works to fund small social businesses, the Plunkett Foundation, which supports rural group enterprise projects, and Co-operative Futures, which is a development agency for co-operative and community enterprises.

Principles

The Principles section, as set out by the ICA, represents the underpinning values, as well as the targets that a true co-operative enterprise should have. It also considers the monitoring and day-to-day implementation of these principles throughout the organisation and externally. In the Society, this is achieved through the Steering Wheel, linking our purpose statement to our core objectives and our operational targets.

Environment

The Environment section represents all actions taken to reduce our impact on the environment. The indicators are designed for use by all co-operatives.

Net carbon dioxide emissions arising from operations

Our CO₂ emissions for the year were 6.2 tonnes per £1m of turnover compared with 219 tonnes the previous year. The total CO₂ emissions associated with our energy usage was 3,753 tonnes compared with 29,675 tonnes in the previous year.

Proportion of waste recycled/reused

The Society is establishing a new and far more accurate waste management measurement system for the year ahead. When the system is in place, we plan to take action to improve our performance on this indicator and measure our progress for future years.

Community

Community shows the amount of our resources that we are returning to the communities we serve.

Investment in community initiatives

Our investment across the region in community initiatives during the year amounted to £520,051 which represents 6.8% of profit before tax. The figure is derived from the total time, resources and money donated and invested. This compares with £619,051 in the previous year which represented 4.2% of profit before tax.

Democracy

Democracy is fundamental to highlighting the co-operative difference and covers our work on member development and governance. This section looks at the role that members play in our Society. It covers whether our members trade with us, vote with us and undertake training with us.

Member economic involvement

Trade with our members accounted for 19.4% of the Society's total sales compared with 18% in the previous year.

Member democratic participation

In 2007 a total of 23,808 members voted in the Society's elections compared with 24,787 in the previous year. This represented 13.4% of members entitled to vote compared with 17.9% in the previous year.

Participation of members in training and education

The average amount of training received by our 4,700 active members (those who have requested to be on the active member database) was 86 minutes each per year, compared with 51 minutes in the previous year.

Development

Development focuses on the support given to aid the development of the co-operative sector as a whole.

Investment in co-operative initiatives

Our investment across the region in co-operative initiatives during the year amounted to £158,750 representing 2.1% of profit before tax. The figure is derived from the total time, resources and money donated and invested. This compares to £99,000 in the previous year which represented 0.7% of profit before tax.

Supplier Payment Policy

It is the Society's policy to agree the terms of payment as part of the commercial arrangements with suppliers and to pay according to those terms once an accurate invoice is received. Trade payable days for the year were 26 days.

Directors' Report Certification

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Society's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

This Directors' Report is signed off on behalf of the Board



Patrick Gray - President



Vivian Woodell - Vice-president



Edward Parker - Secretary



John Boot - Vice-president

Governance Report

OVERVIEW

Introduction

This section of the annual report covers the governance policies and practices within the Society for the year ended 26 January 2008.

The report is prepared in accordance with the Code of Best Practice adopted by Co-operatives^{UK} in May 2005. Under the Code, the Board has a responsibility to ensure that the Society complies with those recommendations in the Code that are appropriate to its circumstances and to report to members thus. Where this is not the case, the Board also has a responsibility to explain to members the reasons why. The report serves to discharge the Board of these obligations.

The Board is conscious that governance and related compliance matters can be difficult to convey, particularly within the confines of a formal report. As such, the Board would welcome questions and comments from members on governance and related matters at the Society's Annual General Meeting, or at any other time. In the latter case, interested members should contact the Secretary in the first instance (contact details can be found on the back cover of this report).

A copy of the Code is available from the Secretary, or at www.goodgovernance.coop/live/cme1013.htm.

Why governance matters

As a starting point, it is helpful to underline why governance matters, and why the Board views good governance as an essential foundation for the Society. In this regard, a quote from the formal introductory report to the Code, sums up the rationale:

“if other types of institution are moving rapidly towards more effective forms of corporate governance that reduce conflicts of interest, increase accountability and transparency and ultimately enable the institution to work more effectively, it would be a dereliction of duty for the co-operative sector not also to examine how its members can best organise their affairs.”

This has been a long held view of the Society's Board, and one which it seeks to demonstrate through its adherence to best governance practices.

Contents

The following sections in this report cover the key areas of governance as set down in the Code. The first section deals with membership, the heart of any co-operative enterprise. The second section concerns the Society's Board, a natural area for focus, given the power vested in the Board and the fundamental role it plays in setting the course of the Society. The third section covers internal control, providing assurance to members that this critical area receives sufficient attention. The fourth section contains a formal statement of compliance in relation to the Code, setting out where the Society does not comply with the provisions of the Code. Finally, there is a separate Remuneration Report, detailing the Society's policies and practices in relation to the remuneration of its Directors and Executive management team.



MEMBERSHIP MATTERS

Introduction

The Board is acutely aware that membership stands at the heart of any true co-operative enterprise and is vital to the creation of a successful co-operative. Hence, this section of the report aims to provide members with an overview of the Society's work in relation to membership matters. Two broad areas are covered: first the creation of the new Membership Strategy Committee, which has a remit to further develop the Society's membership programme; and second the renewed focus given to the Society's membership team to ensure it is working to priorities and targets that meet the needs of the Society as a whole and its trading operations.

Membership Strategy Committee

The Membership Strategy Committee was set up by the Board in the early autumn of 2007. The Committee has replaced the Society's two former membership committees, the Active Members' Support Group and the Community, Membership & Development Committee. The Committee has two main areas of responsibility. First, it is responsible for the strategic direction of membership. Hence, in broad terms, the Committee is looking at ways to best recruit, engage, develop and involve members in the Society, as well as reaching out to those members who have not engaged with the Society previously. Second, the Committee is responsible for the strategic direction of community support for the Society within a framework approved by the Board. In this role, the Committee reviews the work of the Society's community team and approves the allocation of community funds to external applicants.

The Committee comprises up to 14 members, made up as follows: 8 members who are elected directly from amongst the membership as a whole for terms of either 1, 2 or 3 years (dependent on their place in the election); 2 directors from the Board who are appointed annually; and up to a further 4 members co-opted by the Board for one year terms. This last category are co-opted only so as to ensure that at least 4 members are represented from each of the Society's two regions (the Oxford, Swindon & Gloucester Region and the West Midlands Region).

Elections to the Committee are held in conjunction with the Society's annual Board elections.

The current members of the Committee are:

Barbara Hilton – elected member
Linda Taylor – elected member
Clare Downs – elected member
Derek Watkins – elected member
Dorothy Awece-Elkington – elected member

Michael Harrison – elected member
Susan Hughes – elected member
Janet Warren – elected member
Sureshchandra Thaker – co-opted member WM region
George Waddell – co-opted member WM region
Colin Wilkes – co-opted member WM region
Sheila Allen – Board appointed
Margaret Jarvis – Board appointed

Janet Warren has been elected as Chair of the Committee for the year, and Derek Watkins has been elected as Vice-Chair.

In addition to the work carried out by the Committee, the Society has more traditional member engagement channels, principally, the Annual General Meeting and the half yearly meetings. These are publicised through the Society's membership magazine, on posters in all trading outlets, and at www.midcounties.coop.

Membership team

A renewed focus was given to the membership team during the year to ensure the team's priorities were aligned to the needs of the business in an appropriate manner. Four main areas have been targeted:

- providing more activities for more members, including the creation of an effective local member group network
- providing an improved core service to members by, for example, reducing the time taken to issue new member packs and improving the member hotline answer service
- improving the quality of communications with members, including making better use of the Society's website and developing the use of email communications with members
- recruiting more people to join the Society.

The team has set itself targets in all the above areas which are monitored regularly.

An underpinning theme in all the work of the membership team has been to encourage the Society's members to help the Society to achieve its goals. This manifests itself in practical ways. For example, members have helped recruit further members at a number of the Society's stores, members have also helped pack customers' shopping at stores and members have lobbied on the Society's behalf on local planning issues. In the future, it is planned to extend this further by involving members in the Society's colleague volunteering programme, that sees colleagues helping local community based projects during working hours.

THE BOARD

Introduction

This section provides detail on the Society's Board, its duties and responsibilities, how it is structured and the way it works. This is a natural area for focus, given the power vested in the Board and the fundamental role it plays in setting the course of the Society.

Structure

As a first point, it is helpful to remind members that the Society comprises two regions: the Oxford, Swindon & Gloucester Region (the OSG Region) and the West Midlands Region (the WM Region). These regions correspond to the former areas of the Oxford, Swindon & Gloucester Co-operative Society and the West Midlands Co-operative Society prior to their merger in September 2005 to form The Midcounties Co-operative.

It should also be noted that following the merger a West Midlands Regional Board was set up. This Board was disbanded in October 2007 following the successful integration of the former two societies.

Board of directors

There are sixteen Directors on the Society's Board. Ten Directors are elected by and from the members of the OSG Region (OSG Directors) and six are elected by and from the members of the WM Region (WM Directors).

The current directors of the Society are listed on page 34. Following the Board elections in October 2007, Barrie Naylor, Anne Ransome and Mike Swan retired from the Board, and Martin Alder and Geoff Hurmson stepped down as they were not re-elected. John Boot, Isobel Burbidge, Norman Heywood, Margaret Jarvis and Donald Morrison were elected to the Board in their places.

Terms of office

The standard term of office on the Board is three years, although at present terms of office on the Board vary between one and three years, as transitional arrangements resulting from the merger in 2005 are worked through.

The Society's Rules prescribe that a director may be removed from office at any time by a two-thirds majority of the votes cast at a special meeting.

The President and Vice-Presidents

The Board is chaired by the President who is supported by two Vice-Presidents (one from each Region). The President is elected by the Board each year. The OSG and WM Vice-Presidents are elected by the OSG and WM Directors

respectively each year. The President leads the Board in the determination of the Society's strategy and in the achievement of its objectives.

The Society's Rules stipulate that the President cannot be an employee of the Society and cannot act for more than six years.

Following the Board elections in October 2007, Vivian Woodell stepped down as President of the Society as he had completed his full term of office. Patrick Gray was elected as the Society's new President by the Board, and John Boot (WM) and Vivian Woodell (OSG) were elected the new Vice-Presidents of the Society in place of Steve Allsopp (OSG) and Doreen Shaw (WM).

The Board - duties and responsibilities

The Board is responsible for setting the Society's objectives and strategy, monitoring the delivery by management of that strategy, and identifying and managing risk. In addition, and given the distinctive nature of co-operatives, the Board has a duty to ensure that the Society operates as a bona fide co-operative and adheres to the values and principles unique to such organisations. All directors on the Board, which collectively is responsible for the success of the Society, are equally responsible in law for the Board's decisions and are bound by an overriding fiduciary duty to act in good faith in pursuit of the best interests of the Society as a whole.

The Board has established a set of Guiding Principles to help it in its decision making and to provide the framework and expectations for the way directors interact with one another and with others with whom they have business. The Guiding Principles incorporate Appendix 9 of the Code, which covers the duties of directors and a directors' code of conduct.

The Society's rules prescribe certain duties and responsibilities that are the sole preserve of the Board. In addition, the Board has a formal schedule of matters reserved for its decision which is reviewed on an annual basis. The rules and the schedule include, for example, all matters concerning the determination and general operation of the Society's rules, all aspects of membership policy, the appointment and removal of the Chief Executive and the Secretary, approval of all funding arrangements and the approval of property acquisitions and capital spend above certain thresholds.

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

Board procedures

The Board meets on a monthly basis throughout the year. At its meetings it receives reports from management on trading and other matters, reviews the financial performance of the Society for the period and cumulatively for the year and considers papers presented for decision or information. In addition, the Board discusses and approves strategy and the Society's annual budgets at appropriate points during the year.

Papers for Board meetings are circulated in advance and the minutes of all Board meetings are circulated to directors for their review. Decisions made are actioned as appropriate by management.

The Board also meets in private session without the presence of management as and when required.

Independent advice

All Directors of the Society have access to the advice and services of the Society's Secretary. Furthermore, the Society's rules prescribe that one-third of the Board can request independent professional advice, funded by the Society, on questions relating to the governance of the Society or the conduct of its affairs.

Board training and evaluation

The Board is aware of the need for directors to be kept informed of the strategic issues facing the Society and its businesses. In this regard, presentations from each of the Society's businesses and support groups are made by management on a regular basis. These track the progress of each business/group against their annual and strategic plans and highlight areas for discussion and decision.

The Board is also conscious that directors will wish to update their skills in order to perform their duties more effectively. As such the training courses offered by the Co-operative College are available to all directors and the Society has partnered with The Co-operative Group so that directors can attend training courses run by the Group for their regional board and area committee members.

The Board has charged the Secretary with drawing up proposals to further develop Board training and performance evaluation to ensure the Society meets with best practice.

Board independence

To ensure the Board retains its independence, the Society's Rules prescribe that a director, their partner or close family member cannot be engaged in a managerial capacity for any business which competes in a material way with the Society or for any supplier (other than a co-operative or social enterprise) that is reliant to a material extent on the Society.

In addition, no more than six directors on the Board can be current employees or in receipt of a pension from the Society and directors must resign their position at the next election following their 68th birthday, although in both these cases, transitional arrangements, applicable to the former directors of West Midlands Co-operative Society now serving on the Board, are in place for a period of five years from the date of the merger.

The Secretary maintains a register to record any conflicts of interest that may arise for directors and the Executive. Formal updates to the register are requested at the end of each year and individuals are charged with informing the Secretary at the first opportunity of any conflicts should they arise in the interim. The register is open to inspection by members and is reviewed by the Board once a year. In addition, at each Board meeting, directors are asked to declare any interests they may have in relation to the business on the agenda.

The Board believes the above measures serve to ensure the independence of directors and management is safeguarded.

Directors' occupations

The table on page 24 lists the occupations of the directors who served during the year under review.

The following directors also hold other directorships:

- Steve Allsopp is a director of Thamesdown Transport Limited, a council owned bus company
- Patrick Gray is a director of Oxford Research Limited, an economic development consultancy
- Norman Heywood is a director of Jon Charles Limited, a menswear retailer.

Elections and director induction

Elections to the Board are conducted by way of postal ballots. Members can also vote online. OSG Directors are elected by and from members of the OSG Region and WM Directors are elected by and from members of the WM Region. The Society uses Electoral Reform Services, an independent body that specialises in running elections on behalf of member based organisations to run its elections.

Elections and director induction

(continued)

Elections are held once a year in the autumn for both the OSG and WM Regions. Details of candidates are sent to members to help them cast their vote at the time of each election.

In the 2007 election there were 5 candidates standing for 3 vacancies in the OSG Region and 9 candidates standing for 6 vacancies in the WM Region.

Current arrangements for the induction of new directors involve meetings with the Society's Secretary and members of the Executive to appraise the individuals of the breadth of the Society's operations and its co-operative context. A full induction pack is also given to new directors.

Board attendance record

The table below lists the attendance record of directors at Board, West Midlands Regional Board, Audit and Remuneration Committee meetings for the year under review. The figures show the number of meetings each director actually attended, against (in brackets) the number of meetings they were eligible to attend. As previously mentioned, the West Midlands Regional Board was disbanded in October 2007, following the successful integration of the former two societies.

Director	Occupation	Board Meetings	Audit Committee Meetings	West Midlands Regional Board Meetings	Remuneration Committee Meetings
Mr M Alder	Environmental Consultant	5 (9)	3 (3)		
Mrs S Allen	Retired Teacher	10 (12)			4 (4)
Mr S Allsopp	Resource Manager	10 (12)	1 (1)		3 (4)
Mr J Boot	Retired	3 (3)	1 (1)	6 (7)	
Mrs I Burbidge	Accountant	3 (3)	1 (1)		
Mr M Burton	Retail Systems Manager	9 (12)			
Mrs I Edgar	Retired	12 (12)		6 (7)	
Mr P Gray	Economist	12 (12)			
Mr N Heywood	Retired Retailer	3 (3)		6 (7)	
Mr G Hurmson	Travel Manager	7 (9)		5 (7)	
Mrs M Jarvis	Retired Teacher	3 (3)		7 (7)	
Mr D Morrison	Probation Officer	3 (3)			
Mr B Naylor	Retired	8 (9)	3 (3)	7 (7)	3 (4)
Ms J Nunn-Price	Trainee Solicitor	11 (12)	3 (4)		
Mr J Postles	Retired	7 (12)			
Mrs A Ransome	Trainer	9 (9)	3 (3)		
Mrs D Shaw	Retired	12 (12)	4 (4)	6 (7)	3 (4)
Mr A Sutton	Accountant	11 (12)		6 (7)	
Mr M Swan	Pharmacist	6 (9)	3 (3)	6 (7)	2 (4)
Mrs H Wiseman	HR Consultant	10 (12)	1 (1)		
Mr V Woodell	CEO The Phone Co-op	11 (12)			4 (4)

Board Committees

In order to discharge its duties effectively, the Board has delegated certain of its responsibilities to three committees, the Audit & Risk Committee, the Remuneration Committee and the Membership Strategy Committee. Details of the Audit & Risk Committee are set out below. A full report on the Remuneration Committee is set out in the Remuneration Report on pages 28 to 32. Details of the Membership Strategy Committee are set out in the Membership section on page 21.

The Audit & Risk Committee

Remit

The Audit & Risk Committee's remit includes monitoring the integrity of the Society's financial statements, reviewing the effectiveness of the Society's internal control and risk management systems, and monitoring and reviewing the work of the Society's external auditors and assessing their independence. The Committee is also responsible for monitoring and reviewing the effectiveness of the Society's Audit & Risk function, including an assessment of the resources available to that function and the appointment or removal of the head of the function. The Committee is also charged with reviewing the Society's whistleblowing procedures.

Significant decisions by the Committee are referred to the Board for consideration.

The Committee's terms of reference specify a Committee of at least four and no more than six directors. Terms of office on the Committee are for two years, which may be extended for two further two year periods. The terms specify that the President of the Society cannot be a member of the Committee, nor can any director who is a current employee of the Society or has been so within the previous 12 months. The Board reviews the Committee's terms on an annual basis.

Committee members

The current Committee members are:

Steve Allsopp - Chair - appointed October 2007
Helen Wiseman - Vice-Chair - appointed October 2007
John Boot - appointed October 2007
Isobel Burbidge - appointed October 2007
Jean Nunn-Price - member throughout the year
Doreen Shaw - member throughout the year

Martin Alder, Barrie Naylor, Anne Ransome and Mike Swan retired from the Committee in October 2007.

The Society's Secretary acts as secretary to the Committee. The Group General Manager, Commercial Services and the Head of Audit & Risk attend the Committee's meetings.

Meetings

The Committee met four times during the year under review and has four scheduled meetings for the 2008/09 financial year. Meeting agendas track an annual schedule to ensure that all the areas under the Committee's remit are covered.

The Board is apprised of the Committee's proceedings at the next Board meeting following a Committee meeting. The Committee's minutes are also made available to the Board.

At least once each year the Committee has the opportunity to meet the external auditors and the Society's Head of Audit & Risk without the presence of management. In addition the Chair of the Committee maintains a dialogue with the external auditors and the Head of Audit & Risk between Committee meetings.

Auditor independence

To ensure auditor independence and objectivity is safeguarded, the Committee has a policy of awarding project work requiring the expertise of an audit firm to a firm other than the Society's auditors (save for tax related work) unless there is a strong reason to use the Society's auditors.

The spend on any non-audit work undertaken by the Society's auditors is monitored carefully. All non-audit engagements costing over £10,000 undertaken by the auditors require formal approval by the Committee. Should the value of non-audit work undertaken exceed the annual audit fee, then all subsequent non-audit related engagements require formal approval. During the year under review, non-audit work undertaken by the Society's auditors amounted to £169,000.

In addition, the Society and its auditors have both adopted a policy whereby the audit engagement partner does not conduct the Society's audit for more than five years.

Training

Committee members receive updates on relevant matters at the Committee's meetings, and presentations from management on significant issues on a regular basis. In addition, the Committee has charged the Secretary with drawing up proposals to review the training and induction requirements for Committee members to ensure robust and effective procedures are put in place.

INTERNAL CONTROL

Introduction

This section of the report sets out the Society's approach to internal control and the measures taken to review its effectiveness, so as to provide members with assurance that this critical area receives sufficient attention. To provide some context, it is helpful to note that the Code charges the Board to review the effectiveness of the Society's system of internal control and to report formally on this review each year to members. The review is expected to cover all material controls, including financial, operational and compliance controls and risk management.

In addition, it should be pointed out that the Society's system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Society's objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss.

Internal control framework

The Board is responsible, ultimately, for the Society's system of internal control and for reviewing its effectiveness. To discharge these responsibilities the Board has adopted an internal control framework that contains the following key elements:

- an organisational structure with clearly defined lines of responsibility, delegations of authority and reporting requirements
- policies for expenditure with set authorisation levels – for example, larger capital projects, acquisitions and disposals require Board approval
- a comprehensive system of financial reporting – actual results together with budget comparisons are reported regularly to the Board throughout the year
- Board review and approval of the annual budget and plans for each business group and support function
- a code of business conduct covering relations with customers, members, employees, suppliers, the community and competitors
- policies and procedures for the reporting and resolution of suspected fraudulent activities
- a risk management process designed to monitor the major risks affecting the Society
- an Audit & Risk function charged with reviewing the Society's system of internal control.

Control procedures

Society control procedures are designed to ensure complete and accurate accounting of financial transactions and to limit the potential exposure to loss of assets or fraud.

Measures taken include physical controls, segregation of duties, and reviews of processes by management, internal audit and the external auditors. In addition, it is Society policy that all members of the Board are also directors of the Society's trading subsidiaries, to ensure sufficient control is maintained.

Risk management

The Board and the Executive have primary responsibility for identifying and controlling the key risks facing the Society. In this regard, the Society operates a risk management process that aims to identify the key risks in each business group and support function. The risks are reviewed by the Executive on a regular basis and by the Audit & Risk Committee at each of its meetings. Where weaknesses in controls are identified action is taken to implement control mechanisms so as to mitigate the risks identified. Matters are reported to the Board as appropriate.

Monitoring

The Society's Audit & Risk function carries out independent reviews of operational and financial control procedures and the Society's risk management system. A risk based approach is used to identify areas for attention. Reports containing recommendations and action plans to improve controls are issued to management. Follow up reviews are made to ensure actions have been implemented. A summary of significant matters is reported to each meeting of the Audit & Risk Committee.

Review processes

The processes used by the Audit & Risk Committee to review the effectiveness of the Society's system of internal control include the following:

- review of the external and internal audit work plans
- consideration of reports from the Audit & Risk function and the external auditors on the system of internal control
- discussion with management of the actions taken to resolve issues identified in such reports
- review of the effectiveness of the Society's risk management processes.

Opinion

The Audit & Risk Committee has reviewed the operation and effectiveness of the Society's internal control system during the year under review and through to the date of this report. The Committee considers that there have been no weaknesses that have resulted in any material losses or contingencies which require disclosure.

STATEMENT OF COMPLIANCE

Introduction

To help members assess the Society's governance arrangements, the Society is required to specify those elements of the Code with which it does not comply. This section covers this requirement. The matters listed are reviewed by the Board at least once a year.

Board size

The Board comprises sixteen directors, whilst the Code recommends a maximum of fifteen directors. The number of directors on the Board is set in the Society's Rules and reflects the situation agreed at the time of the merger of the former Oxford, Swindon & Gloucester and West Midlands Co-operative societies. It has been agreed to review the Rules in full in 2008. The number of directors on the Board will be included in this review.

Search and selection committee

The Board has not set up a Search and Selection Committee (for the recruitment of potential directors) as recommended under the Code. The Board believes that the current membership structures and processes it has in place are sufficient to attract candidates with the requisite abilities and co-operative credentials to stand for election to the Board.

Professional external directors

The Society's Rules do not allow the co-option of professional external directors. The Board does not believe co-option is appropriate for a bona fide co-operative that believes in the principle of democratic member control. Should expert opinion be required by the Board, independent to that provided by management, the Board is content to engage external professionals on an as needs be basis.

Board appraisal and evaluation

The Board has not undertaken a formal annual evaluation of its performance and has not conducted a skills audit. The Secretary has been charged with drawing up proposals to ensure robust and effective procedures are put in place in relation to this.

CONCLUDING REMARKS

The sound governance of any organisation is critical to ensure appropriate accountability, transparency and control, and to allow the organisation to work effectively within acceptable boundaries. This is particularly so for a member based co-operative, where members entrust the control and direction of their society, to a board of elected directors.

The Board is acutely aware of the responsibilities and obligations imposed upon it by its elected status and the prerequisites of the co-operative ethos. It believes this report serves to demonstrate to members the importance it attaches to governance issues and to illustrate that the measures it has taken are fitting for a true co-operative enterprise.

Finally and to reiterate comments in the overview section at the beginning of this report, the Board is conscious that governance and related compliance matters can be difficult to convey, particularly within the confines of a formal report. As such, the Board would welcome questions and comments from members on governance and related matters at the Society's Annual General Meeting, or at any other time. In case of the latter, interested members should contact the Secretary in the first instance (contact details can be found on the back cover of this report).

On behalf of the Board



Patrick Gray - President



Ben Reid - Chief Executive



Edward Parker - Secretary

Remuneration Report

Introduction

The Remuneration Committee is pleased to present its Remuneration Report to members for the year ended 26 January 2008.

This report, which is published in accordance with Co-operatives^{UK} Code of Best Practice, aims to provide members with an overview of the role of the Remuneration Committee, information on the remuneration policies and practices applicable to the Executive, together with details of their remuneration and pension benefits for the year. The report also provides details of the fees and other benefits available to the Society's directors.

The report will be presented at the Annual General Meeting on 10 May 2008 and be subject to an advisory vote by members.

The Remuneration Committee

The Board has delegated the responsibility for developing, monitoring and reviewing the remuneration policy and practices for the Executive to the Remuneration Committee.

The Committee, which has formal terms of reference, comprises six directors - the President and the two Vice-Presidents of the Society hold ex-officio positions, whilst the remaining three Committee positions are elected annually from amongst the directors on the Board. Directors who are current employees of the Society cannot serve on the Committee. The President acts as the Committee's Chair.

The current Committee members are:

Patrick Gray – Chair – appointed October 2007
John Boot – appointed October 2007
Vivian Woodell – member throughout the year
Sheila Allen – member throughout the year
Steve Allsopp – member throughout the year
Doreen Shaw – member throughout the year

Barrie Naylor and Mike Swan retired from the Committee in October 2007.

The Committee holds meetings throughout the year as appropriate. In the year under review the Committee met four times. The minutes of all Committee meetings are made available to the Board and all significant decisions are endorsed by the Board before implementation.

The Society's Secretary acts as secretary to the Committee. The Chief Executive and the Group General Manager, Personnel Services attend Committee meetings. No Executive can be present when their own remuneration is discussed.

External advice

To assist with its work and to ensure the Committee receives independent advice the Committee appointed New Bridge Street Consultants LLP, an established firm of remuneration consultants, during the year in place of The Monks Partnership. Advice from New Bridge Street Consultants is sought on all significant matters considered by the Committee. In addition, where necessary, the Committee engages external lawyers for advice and guidance.

Remuneration policies and practices

Benchmarking

The Committee has established a policy of benchmarking basic salaries and variable pay against a comparator group of organisations of a similar size within the retail sector. Such benchmarking takes place every two years.

A benchmarking exercise has recently been undertaken as a result of which revised salaries came into effect at the start of the 2008/09 financial year. In the years where no such exercise is undertaken, it is the Committee's policy to increase basic salaries by the percentage pay increase applied to members of the National Association of Co-operative Officials (NACO) for that year.

Basic salaries

The Committee's policy is to set basic salaries for the Executive at the median level for organisations of a similar size within the retail sector, subject to flexibility to allow for particular individual circumstances. The policy for the Chief Executive is to set his basic salary at 10% above the median level for such organisations.

Variable pay

It is the Committee's view that co-operative societies should, whilst keeping in mind the wider market for the remuneration of executives, be conscious of the co-operative traditions of fairness and equity. Thus, the potential rewards available under the variable pay elements of the remuneration packages for the Executive (comprising the annual bonus scheme and the new long term incentive plan) are set well below the median position for comparator organisations. Details of the annual bonus scheme and long term incentive plan are given below.

Annual bonus scheme

The Society's annual bonus scheme aims to drive improved performance through incentivisation on Society and group financial targets and personal objectives. The Executive are members of the scheme, together with a number of senior managers within the Society.

Members of the Executive other than the Chief Executive can earn a bonus payment of up to a maximum of either 25% or 35% of basic salary dependent on role. Threshold performance for each element in the scheme pays 20% of the maximum bonus achievable and on-target performance pays 40%. Stretch performance is required to achieve the maximum payment. Threshold performance is set at 90% of target performance and stretch performance at 115% (increased from 110% during 2007).

All bonus payments are self-funding. When calculating targets in relation to the financial elements of the scheme, unbudgeted acquisitions and disposals and significant unbudgeted exceptional costs and windfalls are excluded. In addition, the Committee has a guideline that limits the aggregate amount of bonus that can be paid each year to 25% of the total salary bill for the year for the Executive (the Chief Executive's bonus arrangements are excluded from this calculation).

Individual bonus arrangements based on Society and personal objectives are set by the Board for the Chief Executive. For the year under review, the Chief Executive was able to earn a bonus payment of up to 30% of notional salary (explained later in this report) based on achievement against overall Society financial targets (21%) and personal objectives (9%). Following the recent benchmarking exercise, it was agreed to increase his maximum bonus award to 35% of annual salary from the start of the 2008/09 financial year, to match the maximum achievable for a number of members on the Executive.

Long term incentive plan

Subsequent to the year end, the Remuneration Committee has recommended and the Board endorsed, a proposal to introduce a long term incentive plan for the Executive. The plan can pay participants a maximum of 15% of salary if stretching targets, linked to the long term development of the Society, are met over a three year period beginning at the start of the 2008/09 financial year.

Benefits-in-kind

The benefits-in-kind available to the Executive during the year comprised the provision of a car or a cash alternative,

relocation costs (if applicable) and pension advice costs should an individual's accrued pension have reached, or be close to, the Lifetime Allowance limit (this policy was discontinued during the year).

Pensions

Throughout the year under review all members of the Executive were members of one of the Society's two pension schemes, the Oxford, Swindon & Gloucester Co-operative Society pension scheme or the West Midlands Co-operative Society pension scheme. Both schemes are defined benefit career average schemes with near identical terms as to benefits provided and contributions payable by members. Subsequent to the year end, the two schemes were merged. No changes to benefits were made.

Normal retirement is at age 65 save that the Society has a policy that allows those with over 25 years service in either pension scheme, subject to the discretion of the Society, to retire penalty free from age 60. The Chief Executive has a contractual right to retire penalty-free at age 62. In addition, members may preserve the link to final salary on pension built-up under the previous final salary pension arrangements applicable to both schemes, by making additional contributions of 3.5% of salary each year. This is intended to be broadly cost neutral for the Society.

It is the Society's policy that only basic salary is pensionable.

Service contracts

The following notice periods for members of the Executive are in place:

- Chief Executive – 12 months
- the Executive – all 3 months, except for Steve Ridler, Group General Manager, Commercial Services – 6 months

Other matters

Redundancy payment

Subsequent to the year end, the position of Group General Manager, Property Professional Services was made redundant. A payment of £99,595 was made to the incumbent, Richard Holmes. This comprised an amount calculated under the Society's standard redundancy terms, together with bonus earned for the year 2007/08, a cash payment equivalent to 6 months value of the car benefit provided by the Society, and a £10,000 ex gratia payment in recognition of the long and valued service given at executive level to the Society.

Mortgage loan

A mortgage loan of £15,000 was granted to Peter Couchman in 2000 secured by a second legal charge over his house. Interest on the loan is charged at the standard rate offered by Nationwide Building Society.

Annual remuneration table

The table below details the basic salary, bonus payments and benefits-in-kind for the Executive relating to the year under review.

Name	Employment commenced	Basic Salary £ ³	Bonus Payment £ ⁶	Benefits-in-kind £	2007/08 total emoluments £	2006/07 total emoluments £ ⁸
Kevin Brown	6 March 1999	86,887	19,676	8,358	114,921	70,392
Paul Byrne	1 April 2000	89,630	18,529	9,067	117,226	68,507
Peter Couchman ¹	9 May 1994	53,041	10,000	4,100	67,141	116,964
Andy Cresswell	8 April 2002	145,277	46,593	7,500	199,370	97,019
Simon Fisher	23 June 1997	90,118	8,905	8,458	107,481	59,867
Richard Holmes ²	1 November 1990	86,396	11,770	6,639	104,805	69,010
Geoff Hurmson ⁴	28 August 1989	100,740	6,737	5,192	112,669	65,303
Alan Miller ⁷	3 February 2000	110,645	33,878	8,760	153,283	137,176
Edward Parker ⁷	6 January 2003	94,483	27,621	8,760	130,864	114,230
Trish Poole ⁷	29 July 1985	110,646	21,213	8,760	140,619	134,984
Ben Reid ⁵	21 March 1988	376,267	81,365	24,119	481,751	423,009
Steve Ridler ⁴	1 May 2000	171,376	36,790	8,750	216,916	213,911
Richard Shepherd	25 January 1988	86,818	9,715	7,500	104,033	59,613

Notes:

General

1. Peter Couchman stepped down from the Executive on 14 August 2007. As such, the payments disclosed are for the period 28 January 2007 - 14 August 2007.
2. Richard Holmes was made redundant on 8 February 2008. The bonus disclosed was included in his redundancy package detailed above.

Basic salary

3. basic salary is the amount actually paid during the year.
4. the basic salaries for Geoff Hurmson and Steve Ridler include an additional cash allowance to compensate them for taking a car of a lower cost than their full entitlement.
5. as part of the terms of the merger of Oxford, Swindon & Gloucester Co-operative Society and West Midlands Co-operative Society in September 2005, it was agreed that the basic salaries of a number of positions within the Society would be protected until such time as the median salaries ('notional' salaries) for positions of a similar nature within a comparator group reached the protected levels. This protection was applied to the salary of the Chief Executive for the year under review. The protected level is disclosed in the table. The notional salary for the year was £360,000.

Bonus payment

6. payments shown relate to the bonus earned for the financial year 2007/08.

Benefits-in-kind

7. Alan Miller, Edward Parker and Trish Poole receive a car cash allowance rather than a car. The annual value of the cash allowance is disclosed as a benefit-in-kind.

2006/07 emoluments

8. a number of individuals joined the Executive during the 2006/07 year, and their emoluments disclosed cover the period from when they joined through to 27 January 2007.

Annual Pensions table

The table below contains information for the Executive on their accrued pension with the Society. The table discloses information as required under the Code of Best Practice. More detailed (and complex) tables, as required under the Listing Rules and the Directors' Remuneration Regulations which are applicable to plcs, are available on request from the Secretary.

Name	Age	Completed years of Society service	Total accrued pension £ p.a.	Increase in accrued pension during 2007/08
				£ p.a.
at 26 January 2008				
K Brown	45	8	13,487	2,015
P Byrne	51	7	12,241	2,041
P Couchman ¹	47	13	9,608	757
A Cresswell	38	5	12,936	2,866
S Fisher	43	10	15,490	2,192
R Holmes	57	16	21,511	2,126
G Hurmson	53	18	30,172	2,955
A Miller	44	3	6,968	2,054
E Parker	40	5	7,230	2,086
T Poole	47	22	40,598	3,536
B Reid	53	19	160,428	10,426
S Ridler	47	7	24,738	4,833
R Shepherd	45	15	16,205	2,006

Notes:

1. Peter Couchman stepped down from the Executive on 14 August 2007. As such, the figures disclosed are for the period 28 January 2007 - 14 August 2007.

Director fees and benefits

The Rules of the Society require the fees and benefits available to directors to be approved by the Society's members. Proposals are put forward by the Board to members for approval on a periodic basis. The Board is conscious that the fee levels so proposed, whilst reflecting the level of responsibility the role of a director in a co-operative society carries, must also take into account the long held co-operative traditions of fairness and equity.

The current fees payable to directors, as approved by members, are set out below.

Annual fees payable to the Board

Directors	£6,250
Vice-Presidents	£7,500 - 20% above the director fee
President	£8,750 - 40% above the director fee

At the Annual General Meeting held on 17 May 2007, a proposal regarding fees payable to directors on the Remuneration and Audit & Risk Committees was approved. In addition, at the Half Year member meetings held in October 2007, members agreed a proposal to pay fees to those members standing on the newly formed Membership Strategy Committee (including the Board representatives on that Committee). The fees so approved are set out below.

Annual fees payable to members of the Audit & Risk Committee

Committee member	£400
Vice-Chair	£440 - 10% above the Committee fee
Chair	£480 - 20% above the Committee fee

Annual fees payable to members of the Remuneration Committee

All Committee members	£400
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Annual fees payable to members of the Membership Strategy Committee

All Committee members (including director representatives)	£400
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All fees are increased each year by the inflationary increase awarded to members of NACO for the year. In 2007 Directors waived their fee increase in order to offset the cost of introducing fees to members on the Remuneration and Audit & Risk Committees.

Director fees and benefits (continued)

In addition to the receipt of director fees, the Society's Staff Discount scheme is made available to directors and their partners and an attendance allowance of £25 per half day is paid to directors for attendance at pre-approved external meetings and events, for example Congress and Sectional Council meetings. Directors are also reimbursed all reasonable expenses incurred whilst carrying out their duties.

Directors of the former West Midlands Co-operative Society at the time of the merger in September 2005 are entitled to receive a death-in-service payment of two times their annual fee should they die whilst serving as a director provided they have remained in office since the merger without a break in service. Currently, this applies to Irene Edgar, Doreen Shaw and Alan Sutton. Doreen Shaw is also entitled to have her funeral expenses paid for by the Society should she die whilst serving on the Board.

A number of directors are also members of The Midcounties Co-operative Pension Scheme given that they have been employees of the Society.

On behalf of the Committee



Patrick Gray - Chair

The co-operative food



Board of Directors

Directors

Patrick Gray - President
John Boot - Vice-president
Vivian Woodell - Vice-president

Sheila Allen
Steve Allsopp
Isobel Burbidge
Martin Burton
Irene Edgar
Norman Heywood

Margaret Jarvis
Donald Morrison
Jean Nunn-Price
Jim Postles
Doreen Shaw
Alan Sutton
Helen Wiseman



Patrick Gray



John Boot



Vivian Woodell



Sheila Allen



Steve Allsopp



Isobel Burbidge



Martin Burton



Irene Edgar



Norman Heywood



Margaret Jarvis



Donald Morrison



Jean Nunn-Price



Jim Postles



Doreen Shaw



Alan Sutton



Helen Wiseman

The Executive

Executive

Ben Reid	Chief Executive
Kevin Brown	Group General Manager, Property
Paul Byrne	Group General Manager, Pharmacy
Andy Cresswell	Group General Manager, Food Retail
Simon Fisher	Group General Manager, Funeral
Geoff Hurmson	Group General Manager, Travel
Alan Miller	Group General Manager, IT and Membership
Edward Parker	Secretary & Head of Governance
Trish Poole	Group General Manager, Personnel Services and Community
Steve Ridler	Group General Manager, Commercial Services
Richard Shepherd	Group General Manager, Motors



Ben Reid



Kevin Brown



Paul Byrne



Andy Cresswell



Simon Fisher



Geoff Hurmson



Alan Miller



Edward Parker



Trish Poole



Steve Ridler



Richard Shepherd

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report in accordance with applicable law and regulations.

Industrial and Provident Society Law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

The Society financial statements are required by law to give a true and fair view of the state of affairs of the Society and of the profit or loss of the Society for that period.

In preparing the Society financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable International Financial Reporting Standards as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Industrial and Provident Society Acts. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

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

Board Certification

The financial statements are signed on behalf of the Board of Directors pursuant to Section 3A of the Friendly and Industrial and Provident Societies Act 1968.

On behalf of the Board



Patrick Gray - President



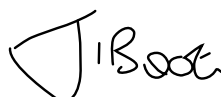
Vivian Woodell - Vice-president



Ben Reid - Chief Executive



Edward Parker - Secretary



John Boot - Vice-president



Co-operative House

VOLVO

Motorworld

The Midlands Co-operative Reception

Independent auditors' report to the members of The Midcounties Co-operative Limited

We have audited the financial statements of The Midcounties Co-operative Limited for the year ended 26 January 2008 which comprise the Consolidated Income Statement, Balance Sheet, Statement of Recognised Income and Expense, Statement of Cashflows, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Society's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparation of the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 36.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Society has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We review whether the statement on pages 20 to 27 reflects the Society's compliance with paragraphs D1.1 (paragraph 5), D2.1, D2.4, D3.1 (paragraph 3) and D3.2 of Co-operatives^{UK} Limited's Corporate Governance Code of Best Practice issued in May 2005, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Society's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU, of the state of the group's affairs as at 26 January 2008 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002.

KPMG LLP
Chartered Accountants
Registered Auditor
2 Cornwall Street
Birmingham
B3 2DL

31 March 2008



Financial Report

Consolidated Income Statement For the year ended 26 January 2008

	Note	2008 £'000	2007		
			Before significant items £'000	Significant items £'000	After significant items £'000
Revenue	1	550,369	463,830	0	463,830
Cost of sales		(395,147)	(332,923)	0	(332,923)
Gross profit		155,222	130,907	0	130,907
Operating expenses	2	(143,231)	(120,145)	4,711	(115,434)
Trading profit		11,991	10,762	4,711	15,473
Other operating income	3	698	1,559	0	1,559
Operating profit		12,689	12,321	4,711	17,032
Finance income	4	1,805	900	0	900
Finance expenses	5	(4,301)	(2,659)	0	(2,659)
Profit before payments to and on behalf of members		10,193	10,562	4,711	15,273
Payments to and on behalf of members	6	(2,525)	(574)	0	(574)
Profit before tax		7,668	9,988	4,711	14,699
Income tax expense	7	(2,080)	(5,173)	493	(4,680)
Profit for the year		5,588	4,815	5,204	10,019

Significant items are material items that are non-recurring or require further explanation.

There are no significant items in 2008.

Consolidated Balance Sheet

As at 26 January 2008

	Note	2008 £'000	2007 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	197,374	182,329
Intangible assets	9	28,771	8,200
Investment properties	10	18,177	19,827
Other investments	11	16,641	15,018
Deferred tax assets	12	5,311	9,352
Financial assets and derivatives	22	0	114
Total non-current assets		266,274	234,840
Current assets			
Other investments	11	2,465	2,205
Stocks	13	34,013	29,963
Trade and other receivables	14	42,003	37,494
Cash and cash equivalents	15	6,087	13,345
Assets held for sale	16	4,557	1,973
Total current assets		89,125	84,980
TOTAL ASSETS		355,399	319,820
EQUITY			
Share capital	17	30,251	29,910
Other reserves	17	50,320	45,489
Retained earnings	17	88,157	78,190
TOTAL EQUITY		168,728	153,589
LIABILITIES			
Current liabilities			
Loans and borrowings	18	1,711	1,695
Financial liabilities and derivatives	22	60	0
Trade and other payables	20	87,580	77,600
Current tax liabilities		1,038	1,623
Total current liabilities		90,389	80,918
Non-current liabilities			
Loans and borrowings	18	54,824	33,338
Other payables	20	16,344	14,727
Pension obligations	19	7,053	18,704
Deferred tax liabilities	12	18,061	18,544
Total non current liabilities		96,282	85,313
TOTAL LIABILITIES		186,671	166,231
TOTAL EQUITY AND LIABILITIES		355,399	319,820

Total equity represents total members funds.

Consolidated Statement of Recognised Income and Expense For the year ended 26 January 2008

	2008 £'000	2007 £'000
Revaluation of property, plant and equipment	5,106	4,798
Actuarial gains on pension schemes (net of tax)	5,586	6,292
Share interest (net of tax)	(991)	(806)
Income tax on income and expenses recognised directly in equity	(628)	1,078
Brought in on transfer of engagements	137	0
Reassessment of fair values on previous transfer of engagements	0	(500)
	9,210	10,862
Profit for the period	5,588	10,019
Total recognised income and expenses for the year	14,798	20,881

Consolidated Statement of Cash Flows for the year ended 26 January 2008

	2008 £'000	2007 £'000
Cash flows from operating activities		
Profit for the period	5,588	10,019
Adjustments for:		
Depreciation	10,882	10,250
Amortisation of intangible assets	2	330
Gain on sale of property, plant and equipment	(140)	(631)
Revaluation increase in investment properties	(558)	(928)
Net finance expense	2,496	1,759
Income tax expense	2,080	4,680
Payments to and on behalf of members	2,525	574
Pension curtailments	0	(7,605)
	22,875	18,448
Change in:		
Stocks	48	(899)
Trade and other receivables	(1,967)	(2,773)
Trade and other payables	(2,071)	3,376
	(3,990)	(296)
Income tax paid	(1,958)	(927)
Net cash from operating activities	16,927	17,225

Consolidated Statement of Cash Flows for the year ended 26 January 2008 (continued)

	2008 £'000	2007 £'000
Cash flows from investing activities		
Interest received	894	560
Proceeds from:		
Sale of investment properties, property, plant and equipment and intangible assets	11,921	6,044
Purchase of:		
Property, plant and equipment	(14,648)	(14,529)
Investment properties	(3,969)	(2,187)
Intangible assets and businesses (net of cash acquired)	(32,016)	(4,689)
Net cash used in investing activities	(37,818)	(14,801)
Cash flows from financing activities		
Proceeds from issue of share capital	9,429	8,422
Repayment of share capital	(9,088)	(9,445)
Interest paid on borrowings	(4,007)	(2,416)
Drawdown of bank facilities	31,000	0
Repayment of bank facilities	(9,112)	(2,539)
Repayment of finance lease liabilities	(378)	(427)
Payments to and on behalf of members and share interest paid	(4,211)	(2,535)
Net cash from /(used in) financing activities	13,633	(8,940)
Net decrease in cash and cash equivalents	(7,258)	(6,516)
Cash and cash equivalents at start of period	13,345	19,861
Cash and cash equivalents at end of period	6,087	13,345

Notes to the Financial Statements

Accounting Policies

1. Basis of Preparation

a) Statement of compliance

The group accounts for the year ended 26 January 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

They consolidate the accounts of group undertakings at the year end and, as permitted by statute and International Accounting Standard No.1 (IAS 1), the accounts format has been adapted as necessary to give a fair presentation of the state of affairs and result of the Society. As allowed by the Industrial and Provident Societies Acts, separate Income Statement, Balance Sheet, Statement of Cashflows or Statement of Recognised Income and Expense for the Society are not included and are published separately.

These are the Society's first financial statements prepared in accordance with adopted IFRS. An explanation of how the transition to adopted IFRS has affected the reported financial position, financial performance and cash flows of the Society are provided in Note 29.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS Balance Sheet at 28 January 2006 for the purpose of transition to adopted IFRS.

As permitted by IFRS 1: First time adoption of IFRS, comparative figures prior to the transition date have not been restated to reflect the requirements of IFRS 3 (Business combinations).

The Society has not adopted any standards early.

The following standards, amendments and interpretations have been issued but have not yet been endorsed by the EU. The impact of these on the Society's financial statements has not yet been quantified but is not expected to be material.

Revision to IAS 23: Borrowing Costs, removes the option to expense borrowing costs and requires that an entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become compulsory for the Society's 2010 Financial Statements and will constitute a change in accounting policy for the Society. In accordance with the transitional provisions the Society will apply the revised IAS 23 to qualifying assets from the effective date.

The International Financial Reporting Interpretations Committee (IFRIC) has issued Interpretation IFRIC 14 (The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) in respect of IAS 19 (Employee Benefits). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit pension assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become compulsory for the Society's 2009 Financial Statements, with retrospective application required.

No other amendments or interpretations issued by the International Accounting Standards Board (IASB) and not yet endorsed by the EU are expected to impact on the Society.

b) Basis of measurement

The accounts are prepared on an historical cost basis as modified by the revaluation of financial assets and liabilities valued at fair value through the Income Statement, derivative financial instruments, property, plant and equipment, investment properties and assets held for sale and disposal groups.

Notes to the Financial Statements

Accounting Policies (continued)

c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about areas of estimation, uncertainty and critical judgements used in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

	Note
Measurement of the recoverable amounts from cash generating units containing goodwill	9
Valuation of investment properties	10
Measurement of pension obligations	19
Business combinations	21
Valuation of financial liabilities and derivatives	22

d) Basis of consolidation

The consolidated financial statements include the Society and its subsidiary undertakings. Subsidiaries are entities controlled by the Society. Control exists when the Society has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The purchase method is used to account for all companies.

The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

e) Significant items

Certain income and expenditure items are disclosed separately when they are material to the Society and are non-recurring or require further explanation.

2. Accounting Reference Dates

For operational reasons the Financial Statements of the Society and the retail subsidiaries are prepared to the fourth Saturday in January. Those of the property subsidiaries are prepared to 31 January. The financial statements of the Society and the retail subsidiaries are for the 52 weeks ended 26 January 2008 and are compared with a 52 week period to 27 January 2007.

3. Significant Accounting Policies

a) Financial assets and liabilities

i) Non derivative financial assets and liabilities

Non derivative financial assets and liabilities comprise trade and other receivables, investments in equities, cash and cash equivalents, loans and other borrowings, and trade and other payables.

Loans and receivables are initially recognised at fair value and subsequently will be carried at amortised cost less any impairment losses.

Notes to the Financial Statements

Accounting Policies (continued)

Available for sale financial assets are equity investments. They are measured at fair value with movements in the carrying value brought into equity through the Statement of Recognised Income and Expense as they arise, except for changes in value arising from impairment, which are recognised in the Income Statement. On disposal, gains and losses recognised previously in equity are transferred to the Income Statement.

Financial instruments at fair value through Income Statement represent funeral prepayment plans. These are measured at fair value with movements in the carrying value brought into the Income Statement as they arise. Hedge accounting is not applied to such instruments.

Cash and cash equivalents comprise cash balances and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Other non-derivative financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses.

ii) Derivative financial instruments

The Society holds derivative financial instruments to provide an economic hedge against its interest rate exposures arising from operational, financing and investment activities (interest rate swaps). The Society does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are measured at fair value and any gains or losses are included in the Income Statement.

The fair value of interest rate swaps is the estimated amount that the Society would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties. Interest payments or receipts arising from interest rate swaps are recognised within net finance expenses in the period in which the interest is incurred or earned.

b) Property, plant and equipment

The deemed cost of property, plant and equipment at 28 January 2006, the date of transition to IFRS, was determined by reference to its fair value at that date.

Items of property, plant and equipment that qualify for recognition as an asset are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

After initial recognition, classes of assets valued under the cost model are carried at cost less any accumulated depreciation and any accumulated impairment losses. Classes of assets valued under the revaluation model are carried at a revalued amount, being their fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is calculated to write off the cost or valuation, less estimated residual value, in the Income Statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Depreciation rates used are as follows:

Freehold buildings	2% per annum
Leasehold buildings	over the unexpired term of the lease
Plant, fixtures and fittings	10% to 33.3% per annum
Vehicles	12.5% to 33.3% per annum

Notes to the Financial Statements

Accounting Policies (continued)

c) Intangible assets

i) Goodwill

As part of its transition to IFRS, the Society elected to restate only those business combinations that occurred on or after 28 January 2006. In respect of acquisitions prior to 28 January 2006, goodwill represents the amount recognised under UK Generally Accepted Accounting Practice (UK GAAP). For acquisitions on or after 28 January 2006, goodwill represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill) it is immediately recognised in the Income Statement.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash generating units (CGUs) and is no longer amortised but is tested annually for impairment.

ii) Intangible assets

Intangible assets acquired by the Society are measured at cost less accumulated amortisation and impairment losses. Pharmacy licences are deemed to have indefinite lives and are tested annually for impairment. Post Office licences are amortised over various periods depending on the revenue earned as set out in note 9.

d) Investment properties

Investment properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties are measured at fair value with any change in value recognised in the Income Statement. Investment property additions/disposals are recognised when there has been an unconditional exchange of contracts.

When the use of a property changes such that it is reclassified as property, plant and equipment its fair value at the date of reclassification becomes its cost for subsequent accounting.

e) Leased assets

Leases under which the Society assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. After the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that class of asset.

Other leases are operating leases and except for investment properties, the leased assets are not recognised on the Society's Balance Sheet. Investment property held under an operating lease is recognised on the Society's Balance Sheet and initially measured at fair value and subsequently at amortised cost.

Notes to the Financial Statements

Accounting Policies (continued)

f) Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation. Provision is made where necessary for slow moving and defective stocks. Consignment vehicles in respect of which finance charges are levied are regarded as being effectively under the control of the Society and are included in stock even though legal title has not passed. The corresponding liability is included in trade and other payables. In addition, commitments to repurchase vehicles subject to lease arrangements (which confer rights and obligations similar to those attached to owned assets with the corresponding liability reflected in trade and other payables) are also included in stocks.

g) Impairment

i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Income Statement. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the Income Statement.

ii) Non financial assets - tangible assets, goodwill and intangible assets

For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date. The recoverable amount of tangible assets and intangible assets with a finite life are reviewed should there be an indication of impairment at the balance sheet date.

The recoverable amount is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use and are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement. Impairment losses in respect of a cash generating unit ("CGU") are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying value of the net operating assets.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

Accounting Policies (continued)

iii) Non current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Society's accounting policies. Thereafter the assets (or disposal group) are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a pro-rata basis. No loss is allocated to stocks, financial assets, deferred tax assets, pension assets and investment property, which continue to be measured in accordance with the Society's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the Income Statement. Gains are not recognised in excess of any cumulative impairment loss.

h) Pension obligations

i) Defined contribution plans

The Society operates a defined contribution scheme under the Stakeholder provisions for all employees who are ineligible to join or choose not to join the defined benefit schemes. All costs relating to the defined contribution scheme are charged to the Income Statement as incurred.

ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Society's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on a high quality corporate bond that has a maturity date approximating to the terms of the Society's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. The Society recognises all actuarial gains and losses arising from the defined benefit plans directly in equity immediately.

i) Provisions

A provision is recognised in the Balance Sheet when the Society has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

j) Revenue

Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. The following criteria must be met before revenue is recognised: Sale of goods – Revenue is recognised at the point of sale. Agency fees and commissions – Agency fees and commissions are earned in the travel division and represents the gross amount of commission earned and are recognised on booking. Rental income – Rental income arising from operating leases on investment properties is accounted for on a straight line basis for the lease term.

Notes to the Financial Statements

Accounting Policies (continued)

k) Finance income and expense

Finance income comprises interest income on funds invested, dividend income and changes in the fair value of interest rate swaps and funeral prepayment plans. Interest income is recognised as it accrues in the Income Statement using the effective interest method. Dividend income is recognised in the Income Statement on the date that the Society's right to receive payment is established which, in the case of quoted securities, is the ex-dividend date. Finance expenses comprise interest expense on borrowings, changes in the fair value of interest rate swaps and funeral prepayment plans, and impairment losses recognised on financial assets. All borrowing costs are recognised in the Income Statement using the effective interest method.

l) Income tax

Income tax expense comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity through the Statement of Recognised Income and Expense, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and; the differences relating to the investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

m) Determination of fair values

A number of the Society's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to each asset or liability.

i) Property, Plant and Equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the established amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing and the parties each acting knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

ii) Intangible Assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

iii) Investment properties

The investment property portfolio is valued by a qualified external valuer and an internal FRIC's qualified manager. They both have appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The Society's investment property portfolio is valued every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing and the parties each acting knowledgeably, prudently and without compulsion.

Notes to the Financial Statements

Accounting Policies (continued)

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate amount of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

When appropriate, valuations reflect: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation; the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Society and the lessee, and; the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and when appropriate counter-notices, have been served validly and within the appropriate time.

iv) Other Investments

The fair value of funeral prepayment plans is based on the 'at need' price discounted over the average life of a plan at the anticipated funeral rate of inflation.

v) Stocks

The fair value of stocks acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, plus a reasonable profit margin based on the effort required to complete and sell those stocks.

vi) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

vii) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

n) Funeral Prepayment Plans

Funeral prepayment plans under which the Society accepts risk from another party (the policyholder) by agreeing to compensate the policyholder in respect of an uncertain future event are classified as insurance contracts under IFRS. A contract that qualifies as an insurance contract remains an insurance contract until all the risks and obligations are extinguished or expire.

o) Managing capital

The Society's policy is to maintain a strong capital base as external equity funding is unavailable. The Society recognises the need to maintain a balance between the potential higher returns that might be achieved with greater gearing and the security afforded by a sound capital position. The Midcounties Co-operative Limited is not a regulated entity and manages capital to ensure an appropriate balance between investing in the future growth of the Society and rewarding its members.

p) Transfer of engagements

Assets and liabilities accepted under a transfer of engagements are restated at fair value, including any adjustments necessary to comply with the accounting policies of the Group. Any surplus or deficit is taken straight to retained earnings.

When reassessments are made to those fair values in subsequent years then the difference is taken through retained earnings and is reflected in the Statement of Recognised Income and Expense.

q) Payments to and on behalf of members

Payments to and on behalf of members, including dividends, grants to community projects and payments in support of co-operative developments are recognised as a liability when approved by members in general meetings and are treated as an appropriation of profits.

Notes to the Financial Statements

1. Revenue	Note	2008 £'000	2007 £'000
Gross Sales		711,833	595,267
Less Agency Sales Adjustment		(115,170)	(91,980)
Less Value Added Tax		(46,294)	(39,457)
Revenue		<u>550,369</u>	<u>463,830</u>
Analysis of Revenue:		£'000	£'000
Food		402,216	325,390
Motor		72,955	71,091
Funeral		20,647	20,166
Pharmacy		36,480	31,867
Travel		8,387	7,420
Childcare		3,606	2,304
Post Office		2,387	1,791
Other		1,123	1,140
Retail revenue		<u>547,801</u>	<u>461,169</u>
Property rentals		2,568	2,661
		<u>550,369</u>	<u>463,830</u>
		2008	2007
		£'000	£'000
2. Operating expenses			
Personnel costs (see below)		83,103	74,287
Less those charged to cost of sales		(1,233)	(1,385)
		<u>81,870</u>	<u>72,902</u>
Occupancy costs		18,128	12,735
Hire of plant and equipment - operating leases		420	429
Hire of land and buildings - operating leases		6,660	5,431
Depreciation of owned assets		10,510	10,286
Depreciation of assets held under finance leases		374	294
Fees paid to auditors:			
Audit		141	157
Other		169	80
Directors fees		119	131
Other expenses		24,840	17,700
		<u>143,231</u>	<u>120,145</u>
		£'000	£'000
Personnel costs:			
Wages and salaries		76,676	67,321
Compulsory social security payments		4,562	4,341
Expenses related to defined contribution pension schemes	19	70	16
Expenses related to defined benefit pension schemes	19	1,795	2,609
		<u>83,103</u>	<u>74,287</u>

Notes to the Financial Statements

2. Operating expenses (continued)

	Note	2008 Number	2007 Number
The average monthly number of employees employed by the Society was:			
Full time		3,535	3,718
Part time		3,327	2,562
		6,862	6,280

Significant items:

		£'000	£'000
Expenses incurred as a result of previous transfer of engagements		0	(1,644)
Impairment and write off of property, plant and equipment	8	0	(1,250)
Curtailment gain in respect of pension obligations	19	0	7,605
		0	4,711

The expenses resulting from the transfer of engagements in the prior year mainly relate to redundancy costs.

The impaired assets in the previous year were property £550,000, IT £375,000, goodwill £225,000 and fixtures and fittings £100,000.

3. Other operating income

		2008 £'000	2007 £'000
Net gain on disposal of property, plant and equipment		140	631
Change in the fair value of investment properties	10	558	928
		698	1,559

4. Finance income

		2008 £'000	2007 £'000
Interest income on available for sale financial assets		110	52
Interest income on bank deposits	22	784	508
Fair value movement on interest rate swaps		0	340
Net finance income in respect of pension obligations	19	911	0
		1,805	900

5. Finance expenses

		2008 £'000	2007 £'000
Net finance cost in respect of pension obligations	19	0	142
Interest expense on financial liabilities measured at amortised cost		3,892	2,359
Interest expense in respect of finance lease liabilities		115	113
Fair value movement on funeral prepayment plan liabilities	22	120	45
Fair value movement on interest rate swaps		174	0
		4,301	2,659

Notes to the Financial Statements

	Note	2008 £'000	2007 £'000
6. Payments to and on behalf of members			
Members dividend		1,766	541
Grants and other member benefits		759	33
		<u>2,525</u>	<u>574</u>
7. Income tax expense			
Current tax expense:			
Current period		1,924	1,895
Adjustment for prior periods		(126)	26
		<u>1,798</u>	<u>1,921</u>
Deferred tax expense:			
Origination and reversal of temporary differences		925	3,180
Adjustment for prior periods		(643)	(421)
		<u>282</u>	<u>2,759</u>
Total income tax		<u>2,080</u>	<u>4,680</u>
Factors affecting the tax charge for the period:		£'000	£'000
Profit before taxation		<u>7,668</u>	<u>14,699</u>
Income tax using the Society's domestic tax rate		2,300	4,410
Expenses not deductible for tax purposes		663	681
Profit on sale of properties subject to indexation and rollover relief		409	(16)
Effect on deferred tax of change in tax rate		(432)	0
Release of deferred tax on IBAs		(91)	0
Adjustment for prior periods		(769)	(395)
Total income tax expense		<u>2,080</u>	<u>4,680</u>
Deferred tax:		£'000	£'000
Net liability at start of period		9,192	15,664
Deferred tax charge in revenue account for the period		282	2,759
Movement on pension liability deferred tax		2,595	(2,551)
Reallocation of total deferred tax included in employee benefits under IFRS at period end		0	(5,602)
Deferred tax recognised directly in equity		628	(1,078)
Acquisition	21	53	0
Net liability at end of period	12	<u>12,750</u>	<u>9,192</u>

Notes to the Financial Statements

8. Property, plant and equipment	Land & buildings £'000	Plant, fixtures & fittings £'000	Vehicles £'000	Total £'000
Cost or valuation:				
At 28 January 2006	150,744	60,501	4,045	215,290
Additions	5,959	5,863	2,707	14,529
Acquisitions	100	0	0	100
Transfers	3,506	0	893	4,399
Revaluation	4,865	0	0	4,865
Disposals	(2,324)	(3,896)	(3,143)	(9,363)
Transfer to assets held for sale	(59)	0	0	(59)
Impairment	(152)	(100)	0	(252)
At 27 January 2007	162,639	62,368	4,502	229,509
Additions	932	11,989	1,727	14,648
Acquisitions	8,902	4,634		13,536
Transfer of engagements	575	0	0	575
Transfers	(21)	0	0	(21)
Revaluation	4,967	0	0	4,967
Disposals	(2,462)	(1,229)	(2,222)	(5,913)
Transfer to assets held for sale	(2,898)	(525)	0	(3,423)
At 26 January 2008	172,634	77,237	4,007	253,878
Accumulated depreciation:				
At 28 January 2006	3,104	36,208	1,378	40,690
Provided this year	646	8,864	740	10,250
Disposals	(173)	(2,952)	(497)	(3,622)
Revaluation	(138)	0	0	(138)
At 27 January 2007	3,439	42,120	1,621	47,180
Provided this year	506	9,761	615	10,882
Disposals	(6)	(830)	(583)	(1,419)
Revaluation	(139)	0	0	(139)
At 26 January 2008	3,800	51,051	1,653	56,504
Carrying amount				
At 26 January 2008	168,834	26,186	2,354	197,374
At 27 January 2007	159,200	20,248	2,881	182,329

Net book value of assets held under finance leases £245,000 (2007: £346,000).

Notes to the Financial Statements

8. Property, plant and equipment (continued)

Security

Bank loans and overdraft are fully secured by a legal charge on trading and investment properties owned by the Society.

Valuations

The property valuations in January 2008 are based on open market rental values. The valuations were carried out by external Chartered Surveyors Philip Tapper and Co and VSL and Partners, and Richard Holmes FRICS, the Society's Group General Manager, Property Professional Services in accordance with the RICS 'Red Book' sixth edition which came into effect 1 January 2008.

The properties are valued individually and yields are therefore varying on a property by property basis.

9. Intangible assets	Purchased goodwill £'000	Licences £'000	Total £'000
Cost:			
At 28 January 2006	13,718	25	13,743
Acquisition	1,373	2,886	4,259
Disposals	(144)	0	(144)
Impairment	(120)	0	(120)
	<hr/>	<hr/>	<hr/>
At 27 January 2007	14,827	2,911	17,738
Acquisition	15,478	5,345	20,823
Disposals	(250)	0	(250)
	<hr/>	<hr/>	<hr/>
At 26 January 2008	30,055	8,256	38,311
Accumulated amortisation:			
At 28 January 2006	9,258	0	9,258
Charge for the year	330	0	330
Disposals	(50)	0	(50)
	<hr/>	<hr/>	<hr/>
At 27 January 2007	9,538	0	9,538
Charge for the year	0	2	2
	<hr/>	<hr/>	<hr/>
At 26 January 2008	9,538	2	9,540
Carrying amount			
At 26 January 2008	<hr/> 20,517 <hr/>	<hr/> 8,254 <hr/>	<hr/> 28,771 <hr/>
At 27 January 2007	<hr/> 5,289 <hr/>	<hr/> 2,911 <hr/>	<hr/> 8,200 <hr/>

Notes to the Financial Statements

9. Intangible assets (continued)

Licences relate to the pharmacy and post office businesses.

A pharmacy licence is assumed to have an indefinite life based on the market where licences are not freely bought and sold. Therefore it is assumed that the fair value is equal to the carrying value and annual impairment testing is performed on the carrying value of pharmacy licences.

The life of a post office licence is dependent on the branch's annual income.

The following licence lives have been adopted.

Annual Income	Period of amortisation
<£15,000	5 year life
£15,001 to £25,000	10 year life
>£25,001	indefinite life

Post office licences with an indefinite life are annually impairment tested.

Goodwill is not amortised but is subject to annual impairment reviews. Impairment testing is carried out for cash generating units (CGU) which are set at the level at which management monitor goodwill.

Impairment testing compares the recoverable amount of goodwill with the book value. Recoverable amount is calculated by discounting future cash flows of the CGU. The key factors are future growth rates and discount rates which are based on the Society's cost of capital of 6%. Business specific growth rates are used to extrapolate cash flows for a period of 20 years. The growth rates have been derived using historical analysis and future plans of the business.

The intangible assets are held as:

	Purchased goodwill	Licences	Business growth rate
Food Retail	£16.4m	£0.0m	5.00%
Pharmacy	£4.1m	£4.8m	3.25%
Post Office	£0.0m	£3.5m	3.25%
	<u>£20.5m</u>	<u>£8.3m</u>	

Notes to the Financial Statements

	2008 £'000	2007 £'000
10. Investment properties		
Cost or valuation:		
At start of year	19,827	22,568
Additions	3,969	2,187
Transfers from property, plant and equipment	21	(3,506)
Revaluation	558	928
Disposals	(5,064)	(436)
Transfer to assets held for sale	(1,134)	(1,914)
At end of year	<u>18,177</u>	<u>19,827</u>

Investment properties are not depreciated.

Valuations

The property valuations in January 2008 are based on open market rental values. The valuations were carried out by external Chartered Surveyors Philip Tapper and Co and VSL and Partners, and Richard Holmes FRICS, the Society's Group General Manager, Property Professional Services in accordance with the RICS 'Red Book' sixth edition which came into effect 1 January 2008.

The properties are valued individually and yields are therefore varying on a property by property basis.

Yields range from 5.5% to 11%, with a mean yield for commercial investment property of 6.8% before costs and 5.9% before costs for residential investment property.

	2008 £'000	2007 £'000
11. Other investments		
Non current investments:		
Available for sale financial assets	1,851	1,789
Financial assets designated at fair value through the Income Statement	14,790	13,229
	<u>16,641</u>	<u>15,018</u>
Are held as follows:	£'000	£'000
Co-operative Group shares	1,562	1,647
Other I&P Societies shares	188	59
Mortgages and other investments	101	83
Total available for sale financial assets	<u>1,851</u>	<u>1,789</u>
Funeral prepayment plans	14,790	13,229
	<u>16,641</u>	<u>15,018</u>

Notes to the Financial Statements

11. Other investments (continued)

	2008 £'000	2007 £'000
Current investments:		
Financial assets designated at fair value through the income statement	2,465	2,205

Moneys received in respect of funeral prepayment plans are invested under the terms of custodian arrangements with the State Street Bank and from 1 January 2002, in individual whole of life insured arrangements with the Co-operative Insurance Society Limited. Interest earned on such investments is reinvested. An appropriate proportion of the investments (including accrued interest) is withdrawn when each funeral plan is invoked by the client's representative.

Available for sale financial assets are held at amortised cost.

The Society's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 22.

	Note	2008 £'000	2007 £'000
12. Deferred tax assets and liabilities			
Property, plant and equipment		14,389	14,557
Short term temporary differences		3,672	3,987
Deferred tax liability		18,061	18,544
Intangible assets		(3,336)	(3,750)
Deferred tax asset in respect of pension obligations		(1,975)	(5,602)
Deferred tax asset		(5,311)	(9,352)
Total net liability	7	12,750	9,192

Recognised deferred tax assets and liabilities are attributable to timing differences relating to the following:

	Assets		Liabilities	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Property, plant and equipment	0	0	14,389	14,557
Intangible assets	(3,336)	(3,750)	0	0
Pension obligations	(1,975)	(5,602)	0	0
Other items	0	0	3,672	3,987
Net tax (assets) / liabilities	(5,311)	(9,352)	18,061	18,544

There are no unrecognised deferred tax assets (2007: £Nil).

Notes to the Financial Statements

12. Deferred tax assets and liabilities (continued)

Movements in deferred tax assets and liabilities during the year were as follows:

	27 January 2007 £'000	Acquisitions £'000	Recognised in income statement £'000	Recognised in equity £'000	26 January 2008 £'000
Property, plant and equipment	14,557	53	(849)	628	14,389
Intangible assets	(3,750)	0	414	0	(3,336)
Pension obligations	(5,602)	0	1,032	2,595	(1,975)
Other items	3,987	0	(315)	0	3,672
Net tax liabilities	9,192	53	282	3,223	12,750

13. Stocks	2008 £'000	2007 £'000
Work in progress	106	135
Consignment stock	5,054	5,327
Goods for resale	28,853	24,501
	34,013	29,963

14. Trade and other receivables	2008 £'000	2007 £'000
Trade receivables	28,284	26,248
Prepayments and accrued income	4,083	2,998
Other receivables	9,636	8,248
	42,003	37,494

15. Cash and cash equivalents	2008 £'000	2007 £'000
Cash and cash equivalents	5,897	8,964
Short-term deposits	190	4,381
	6,087	13,345

The Society's exposure to interest rate risk is disclosed in Note 22.

Notes to the Financial Statements

16. Assets held for sale	2008 £'000	2007 £'000
Assets classified as held for sale:		
Investment properties	1,134	1,914
Land and buildings	2,898	59
Fixtures & fittings	525	0
	4,557	1,973

17. Equity	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 27 January 2007	29,910	45,489	78,190	153,589
Total recognised income and expense	0	5,106	9,692	14,798
Shares issued and interest credited less shares withdrawn	341	0	0	341
Realised on disposal of investment properties	0	(275)	275	0
Balance at 26 January 2008	30,251	50,320	88,157	168,728

Share capital is comprised entirely of equity shares of £1 each (as defined by IFRIC 2).

Shares currently attract interest at rates between 2% and 6.25%.

Shares are withdrawable on periods of notice from one week and longer dependent on the amount involved. The right to withdraw may, by resolution of the Board, be suspended either wholly or partially and either indefinitely or for a fixed period.

Each member is entitled to one vote irrespective of the number of shares held.

In the event of a solvent winding up of the Society the rules state that a surplus remaining after all liabilities and paid up share capital have been settled would not be distributed to the members of the Society but will be:

- transferred to one or more societies in membership of Co-operatives^{UK} Limited having the same or similar rule provisions as regards surplus distribution, as may be determined by the members; or,
- if not so transferred shall be paid or transferred to Co-operatives^{UK} Limited.

Dividends to members are paid by way of vouchers redeemable against purchases, deposited into a share account or donated to specific charities. Dividends are based on purchases made by members at a rate proposed by the Board and subject to approval at a members' meeting.

The Society abides by a code of practice which requires it to provide a statement to its members of the nature of their investment and any change affecting it. The position that a member of the Society occupies is no different from that of a shareholder in any other corporate body in the sense that, if the Society fails, not all or any of their investment may be returned to them. Investments are withdrawable without penalty. The Society, unlike banks and building societies, is not subject to prudential supervision by the Financial Services Authority.

Dividends:

The following dividends were declared and paid by the Society:

Final Dividend 2006/07 (June 2007): £921,000

Interim Dividend 2007/08 (November 2007): £845,000

Notes to the Financial Statements

18. Loans and borrowings

This note provides information about the contractual terms of the Society's interest-bearing loans and borrowings that are measured at amortised cost. For more information about the Society's exposure to interest rate and liquidity risk see Note 22.

	2008 £'000	2007 £'000
Current liabilities:		
Savings stamp club	33	37
Current portion of secured bank loans	364	335
Current portion of finance lease liabilities	1,314	1,323
	1,711	1,695
Non current liabilities :	£'000	£'000
Secured bank loans	53,637	31,774
Finance lease liabilities	1,187	1,564
	54,824	33,338

Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	Year of maturity	2008		2007	
			Fair value £'000	Carrying value £'000	Fair value £'000	Carrying value £'000
Co-operative Bank loan	6.65%	2013	17,000	17,000	9,000	9,000
Co-operative Bank loan			0	0	8,000	8,000
Co-operative Bank loan	6.53%	2019	6,001	6,001	6,340	6,340
Co-operative Bank loan	6.16%	2010	1,000	1,000	0	0
Royal Bank of Scotland loan			0	0	8,769	8,769
Royal Bank of Scotland loan	5.77%	2022	26,000	26,000	0	0
Royal Bank of Scotland loan	7.53%	2017	4,000	4,000	0	0
Savings stamp club			33	33	37	37
Total interest bearing liabilities			54,034	54,034	32,146	32,146

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Present value of minimum lease payments	Future minimum lease payments		Present value of minimum lease payments
	2008 £'000	Interest 2008 £'000		2007 £'000	Interest 2007 £'000	
Less than one year	1,341	27	1,314	1,373	50	1,323
Between one and five years	461	7	454	865	34	831
More than five years	733	0	733	733	0	733
	2,535	34	2,501	2,971	84	2,887

Notes to the Financial Statements

19. Pension obligations

At the Balance Sheet date, The Midcounties Co-operative operated two defined benefit schemes (the Oxford, Swindon & Gloucester Co-operative Society Limited Employees Pension Scheme and the West Midlands Co-operative Society Limited Employees Superannuation Fund) and a defined contribution scheme. The two defined benefit schemes were merged on 28 February 2008.

Contributions to the defined contribution scheme in the year were £70,000 and were charged through the Income Statement.

Full actuarial valuations of the schemes were carried out at 31 December 2003 and 25 September 2004 respectively and were updated to 26 January 2008 by qualified independent actuaries.

There was no material impact on the valuation of either defined benefit pension scheme as a result of transition to IFRS.

	2008 £'000	2007 £'000
A summary of the scheme deficits is as follows:		
The Oxford, Swindon & Gloucester Co-operative Society Limited Employees Pension Scheme	1,323	9,519
The West Midlands Co-operative Society Limited Employees Superannuation Fund	5,730	9,185
	<u>7,053</u>	<u>18,704</u>

i) The Oxford, Swindon & Gloucester Co-operative Society Limited Employees Pension Scheme

	2008 £'000	2007 £'000
Total present value of obligations	(79,277)	(85,398)
Fair value of plan assets	77,954	75,879
Net pension obligation	<u>(1,323)</u>	<u>(9,519)</u>
Plan assets comprise:	£'000	£'000
Equity securities	49,808	64,605
Government bonds	28,146	11,274
	<u>77,954</u>	<u>75,879</u>
Movement in the present value of the defined benefit obligations:	£'000	£'000
Defined benefit obligation at start of period	85,398	90,600
Benefits paid by the plan	(2,728)	(3,037)
Current service costs and interest (see below)	5,553	5,885
Actuarial (gains)/losses recognised in equity (see below)	(10,511)	(4,251)
Contributions made by employees	1,265	1,335
Past service cost/(curtailment gain)	300	(5,134)
Defined benefit obligations at end of period	<u>79,277</u>	<u>85,398</u>

Notes to the Financial Statements

19. Pension obligations (continued)

	2008 £'000	2007 £'000
Movement in the present value of plan assets:		
Fair value of plan assets at start of period	75,879	69,632
Contributions paid into the plan	4,625	4,386
Benefits paid by the plan	(2,728)	(3,037)
Expected return on plan assets	5,485	4,479
Actuarial (losses)/gains recognised in equity	(5,307)	419
	<u>77,954</u>	<u>75,879</u>
Expense recognised in the Income Statement:	£'000	£'000
Current service costs	1,204	1,738
Interest on obligation	4,349	4,147
Past service cost/(curtailment gain)	300	(5,134)
Expected return on plan assets	(5,485)	(4,479)
	<u>368</u>	<u>(3,728)</u>
The expense is recognised in the following line items in the Income Statement:	£'000	£'000
Operating expenses	1,504	(3,396)
Finance costs	(1,136)	(332)
	<u>368</u>	<u>(3,728)</u>
Actuarial gains and losses recognised directly in Statements of Recognised Income and Expense:	£'000	£'000
Cumulative amount at start of period	(8,570)	(13,240)
Recognised during the period	5,204	4,670
Cumulative amount at end of period	<u>(3,366)</u>	<u>(8,570)</u>
Actuarial assumptions:		
Actual return on plan assets	178	4,898
Discount rate	6.00%	5.10%
Expected return on plan assets	6.70%	7.10%
Future salary increases	4.80%	4.50%
Inflation	3.30%	3.00%
Future pension increases - pre July 2006	3.30%	3.00%
Future pension increases - post July 2006	2.25%	2.25%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 65 is 21 years for males and 24 years for females.

The overall expected long-term rate of return on assets is 6.70 percent. The expected long-term rate of return is based on the portfolio of investments that the scheme holds as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Notes to the Financial Statements

19. Pension obligations (continued)

	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Historical information:				
Present value of the defined benefit obligation	(79,277)	(85,398)	(90,600)	(62,724)
Fair value of plan assets	77,954	75,879	69,632	53,983
Deficit in the plan	(1,323)	(9,519)	(20,968)	(8,741)

ii) The West Midlands Co-operative Society Limited Employees Superannuation Fund

	2008 £'000	2007 £'000
Total present value of obligations	(36,426)	(39,357)
Fair value of plan assets	30,696	30,172
Net pension obligation	(5,730)	(9,185)
Plan assets comprise:	£'000	£'000
Equity securities	8,429	13,754
Government bonds	16,063	12,650
Property	2,574	179
Other	3,630	3,589
	30,696	30,172
Movement in the present value of the defined benefit obligations:	£'000	£'000
Defined benefit obligations at start of period	39,357	44,046
Benefits paid by the plan	(1,393)	(1,195)
Current service costs and interest (see below)	2,599	2,872
Actuarial gains recognised in equity (see below)	(4,575)	(4,395)
Contributions made by employees	438	500
Curtailments	0	(2,471)
Defined benefit obligations at end of period	36,426	39,357
Movement in the present value of plan assets:	£'000	£'000
Fair value of plan assets at start of period	30,172	28,087
Contributions paid into the plan	1,701	1,823
Benefits paid by the plan	(1,393)	(1,195)
Expected return on plan assets	1,783	1,527
Actuarial losses recognised in equity	(1,567)	(70)
Fair value of plan assets at end of period	30,696	30,172

Notes to the Financial Statements

19. Pension obligations (continued)

	2008	2007
	£'000	£'000
Expense recognised in the Income Statement:		
Current service costs	591	871
Interest on obligation	2,008	2,001
Curtailment gain	0	(2,471)
Expected return on plan assets	(1,783)	(1,527)
	816	(1,126)

The expense is recognised in the following line items in the Income Statement:

	£'000	£'000
Operating expenses	591	(1,600)
Finance costs	225	474
	816	(1,126)

	£'000	£'000
Actuarial gains and losses recognised directly in Statement of Recognised Income and Expense:		
Cumulative amount at start of period	534	(3,791)
Recognised during the period	3,008	4,325
Cumulative amount at end of period	3,542	534

Actuarial assumptions:

Actual return on plan assets	216	1,457
Discount rate	6.00%	5.10%
Expected return on plan assets	5.70%	5.90%
Future salary increases	4.80%	4.50%
Inflation	3.30%	3.00%
Future pension increases - pre July 2006	3.30%	3.00%
Future pension increases - post July 2006	2.25%	2.25%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 65 is 21 years for males and 24 years for females.

The overall expected long-term rate of return on assets is 5.70 percent. The expected long-term rate of return is based on the portfolio of investment that the scheme holds as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

	2008	2007	2006	2005
	£'000	£'000	£'000	£'000
Historical information				
Present value of the defined benefit obligation	(36,426)	(39,357)	(44,046)	(38,877)
Fair value of plan assets	30,696	30,172	28,087	26,774
Deficit in the plan	(5,730)	(9,185)	(15,959)	(12,103)

The Society estimates that it will contribute approximately £1.43m to the merged defined benefit scheme and £74,000 to the defined contribution scheme in 2008-09.

Notes to the Financial Statements

	2008 £'000	2007 £'000
20. Trade and other payables		
Current liabilities:		
Trade payables	59,778	56,777
Other payables	10,776	9,072
Funeral bonds	2,724	2,454
Accrued charges	14,302	9,297
	87,580	77,600
	£'000	£'000
Non-current liabilities:		
Funeral bonds	16,344	14,727

21. Acquisitions

	News Shops Limited					2008 Total fair value £'000	2007 Total fair value £'000
	Carrying value £'000	Fair value adjustment £'000	Fair value £'000	Food Retail £'000	Other £'000		
Licences	0	3,104	3,104	0	2,241	5,345	2,886
Fixed assets	10,117	2,770	12,887	408	241	13,536	100
Stock	3,938	(275)	3,663	428	0	4,091	330
Debtors	2,463	(11)	2,452	90	0	2,542	0
Creditors	(8,696)	(1,446)	(10,142)	(917)	0	(11,059)	0
Deferred tax liability	(50)	0	(50)	(3)	0	(53)	0
Cash	1,277	0	1,277	859	0	2,136	0
Net assets	9,049	4,142	13,191	865	2,482	16,538	3,316
Goodwill	7,511	(4,142)	3,369	9,646	2,463	15,478	1,373
Purchase price (cash)	16,560	0	16,560	10,511	4,945	32,016	4,689

News Shops Limited was the only acquisition to have significant fair value adjustments. The purchase of Rusts Limited, a group of ten food stores and the trade and assets of the Hazlemere supermarket are included in Food Retail. Other contains the trade and assets of Pharmacy, Travel and Post Office acquisitions.

News Shops Limited, a convenience and confectionery, tobacco and newspaper retailer was acquired on 2 March 2007. 100% of the equity was acquired. Rusts Limited, a convenience store retailer was acquired on 15 September 2007. 100% of the equity was acquired.

Goodwill arises on the acquisitions due to consideration paid over and above the fair value of the net assets acquired. It is attributable to the synergies expected to be achieved by integrating these acquisitions into the Group's existing food, pharmacy, travel, and post office businesses, and to the location of the units and hence the non-contracted customer base.

Springvale Sports and Social Club was formed as a co-operative by steelworkers when Bilston Steelworks closed. A repairs and refurbishment programme is now in place. On 29 May 2007 Springvale Sports and Social Club transferred its engagements to The Midcounties Co-operative Limited.

Notes to the Financial Statements

21. Acquisitions (continued)

A summary of the separately identifiable assets and liabilities transferred is:

	Carrying value	Fair value adjustment	2008 Fair value £'000
Fixed assets	257	318	575
Stock	7	0	7
Creditors	(440)	(9)	(449)
Cash	4	0	4
Net assets	(172)	309	137
Revenue reserve	(172)	309	137

22. Financial Liabilities and Derivatives

Credit risk:

The carrying amount of financial assets representing the maximum exposure to credit risk at the reporting date was:

	2008 £'000	2007 £'000
Financial assets at fair value through profit or loss	17,255	15,434
Loans and receivables	42,003	37,494
Cash and cash equivalents	6,087	13,345
Assets held for sale	4,557	1,973
Interest rate swaps used for hedging:		
Assets	0	114
	69,902	68,360

	Gross 2008 £'000	Impairment 2008 £'000	Gross 2007 £'000	Impairment 2007 £'000
The ageing of trade receivables at the reporting date was:				
Not overdue	25,922	0	24,513	0
Overdue 0-30 days	1,604	0	1,091	0
Overdue 31-120 days	668	0	642	0
121 days to one year	816	(726)	783	(781)
More than one year overdue	311	(311)	456	(456)
	29,321	(1,037)	27,485	(1,237)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2008 £'000	2007 £'000
Balance at start of year	(1,237)	(1,132)
Impairment gain/(loss) recognised	200	(105)
Balance at end of year	(1,037)	(1,237)

Based on historic default rates, the Society believes that no impairment allowance is necessary in respect of trade receivables not overdue by 60 days.

Notes to the Financial Statements

22. Financial Liabilities and Derivatives (continued)

Liquidity risk:

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
26 January 2008							
Secured bank loans	54,001	95,026	1,864	1,864	4,104	13,564	73,630
Finance lease liabilities	2,501	2,535	287	1,054	351	110	733
Trade and other payables	103,924	103,924	86,218	1,362	2,724	8,172	5,448
Interest rate swaps used for hedging:							
Liabilities	60	(51)	(11)	(11)	(21)	(8)	0
	160,486	201,434	88,358	4,269	7,158	21,838	79,811
27 January 2007							
Secured bank loans	32,109	53,934	2,549	1,165	4,253	12,758	33,209
Finance lease liabilities	2,887	2,971	284	1,079	765	110	733
Trade and other payables	92,327	92,327	76,373	1,227	2,454	7,362	4,911
Interest rate swaps used for hedging:							
Liabilities	0	(80)	(12)	(12)	(23)	(33)	0
	127,323	149,152	79,194	3,459	7,449	20,197	38,853

Interest rate risk:

Profile:

At the reporting date the interest rate profile of the Society's interest-bearing financial instruments was:

	Carrying amount	
	2008 £'000	2007 £'000
Fixed rate instruments:		
Financial assets	42,003	37,494
Financial liabilities	(135,925)	(98,667)
Variable rate instruments:		
Financial assets	23,342	28,893
Financial liabilities	(24,561)	(28,656)

Notes to the Financial Statements (continued)

22. Financial Liabilities and Derivatives (continued)

Fair values:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	26 January 2008		27 January 2007	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets designated at fair value through profit or loss	17,255	17,255	15,434	15,434
Loans and receivables	42,003	42,003	37,494	37,494
Cash and cash equivalents	6,087	6,087	13,345	13,345
Interest rate swaps used for hedging				
Assets	0	0	114	114
Liabilities	60	60	0	0
Secured bank loans	54,001	54,001	32,109	32,109
Finance lease liabilities	2,501	2,501	2,887	2,887
Trade and other payables	103,924	103,924	<u>92,327</u>	<u>92,327</u>

Fair values have been determined by discounting future cash flows at interest rates prevailing at the balance sheet date.

23. Insurance Contracts

The Society sells Funeral Prepayment Plans which are shown at fair value to reflect the projected at need price.

	2008 £'000	2007 £'000
--	---------------	---------------

24. Operating leases

Non-cancellable operating lease rentals are payable as follows:

Less than one year	787	454
Between one and five years	2,053	1,586
More than five years	7,365	4,151
	<u>10,205</u>	<u>6,191</u>

£9,784,000 relates to land and buildings (2007: £5,767,000). The leases of land and buildings are subject to periodic rent reviews.

Notes to the Financial Statements

25. Financial risk management

Credit Risk

Credit risk arises from the possibility of customers failing to meet their obligations to the Society. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount. The Society does not require collateral in respect of financial assets. The Society considers that it is prudent in its impairment provisioning and it has no significant customer credit risk.

Liquidity Risk

Borrowing requirements are managed in line with a three year cash flow forecast revised annually and reviewed against the Society's debt portfolio and maturity profile.

Interest rate risk - hedging

Interest rate risk arises from movements in interest rates that impact on the fair value of the assets and liabilities and related finance flows. The Society adopts a policy of ensuring that a proportion of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps, denominated in sterling, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Society's policy. The 5.25% fixed interest rate swaps mature over the next three years. At 26 January 2008 the Society had interest rate swaps with a notional contract amount of £7m (2007: £7m). The Society also has a £3m 4.8% to 6% collar in place until October 2009 (2007: £3m). A 1% fall or rise in market interest rates on borrowings the Society held at 26 January 2008 would reduce or increase profit before tax by approximately £120,000 (2007: £70,000).

Derivatives are classified as financial assets / liabilities and derivatives. Derivatives are stated at fair value, with any gains and losses being recognised in the income statement.

The net fair value of swaps at 26 January 2008 was a liability of £60,000 (2007: £114,000 asset).

Foreign currency risk

The Society is exposed to foreign currency risk on currencies held in travel branches for resale. The currencies giving rise to this risk are primarily Euros and US Dollars. Any adverse movements on these exchange rates would not have a material impact on the Society.

The Society trading group Domain Names receives and makes some immaterial payments in US Dollars.

Guarantees

In the course of conducting its operations, the Society has issued bank guarantees in favour of counter-parties. The total amount of bank guarantees outstanding is £130,000 (2007: £130,000).

Fair values

The fair value of financial assets and liabilities together with the carrying amounts shown in the balance sheet at 26 January 2008 are shown in Note 22. These are valued in accordance with Society accounting policy (m).

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Interest rate swaps and collar

The Society's interest rate swaps and collar were fair valued by The Co-operative Bank using pricing models.

Interest bearing loans and borrowings

These are shown at amortised cost.

Trade and other receivables/payables

For receivables/payables, the notional amount is deemed to reflect the fair value.

Notes to the Financial Statements

26. Capital commitments

	2008 £'000	2007 £'000
Expenditure contracted but not provided for	<u>7,127</u>	<u>3,800</u>

27. Related party transactions

As a retail co-operative society, the Society has many transactions with other co-operative societies. These are all commercial and at arm's length. The most significant of these relates to the Society's membership of the Co-operative Retail Trading Group ("CRTG") by which purchases of stock for resale are made through The Co-operative Group Limited ("TCG") on terms negotiated with third party suppliers by CRTG on behalf of its members. The value of such purchases (net of rebates and dividend but including VAT) for the year ended 26 January 2008 was £225 million (2007: £216 million) and, the amount owed to TCG as at that date was £14.6 million (2007: £13.1 million). It is considered however, that TCG is not a related party within the definition of IAS 24 Related Party Disclosures.

The Society has a contract for telecommunication services with The Phone Co-op Ltd, a co-operative organisation whose chief executive is Vivian Woodell, the Society vice president. The contract is at arm's length and the value of services including VAT provided for the year ended 26 January 2008 was £909,547 (2007: £411,724). The Phone Co-op has a community membership account with the Society. The balance on this account at 26 January 2008 was £375,700 (2007: £282,710) and interest earned during the year amounted to £16,222 (2007: £6,991). The Society has a share account with The Phone Co-op. As at 26 January 2008 the balance was £21,518. During the year, the Society received interest of £570 and a dividend of £9,628. The Society provided an outsourced personnel service to The Phone Co-op during the year. The value of these services in the year ended 26 January 2008 was £6,345 including VAT (2007: £NIL).

Notes to the Financial Statements

28. Wholly owned subsidiaries

As at 26 January 2008, the Group consisted of The Midcounties Co-operative Limited and the wholly owned subsidiaries and companies listed below.

	Principal Activity
Kenmare Estates Limited	Property Management
The Midcounties Co-operative Domains Limited	Internet Domains Names
The Midcounties Co-operative Investments Limited	Property Management
The Midcounties Co-operative Properties Limited	Property Management
The Midcounties Co-operative Trading Limited	Retail
West Midlands Co-operative Chemists Limited	Retail
News Shops Limited	Retail
Rusts Limited	Retail

The following were dormant throughout the year:

Arthur W Bruce Limited	Motorworld Garages Limited
Codsall Travel Centre Limited	Motorworld Leasing Limited
Co-op Direct Limited	Motovine Limited
Co-op Holiday Supermarket Limited	Reeves & Pain Limited
Co-op Travel Direct Limited	S & M (Wholesalers) Limited
Co-operative Energy Limited	Sabreheights Limited
Debt Recoveries (Oxford) Limited	The Midcounties Co-operative Developments Limited
F G Hopkins (Wolverhampton) Limited	The Midcounties Co-operative Estates Limited
George Webb & Son Limited	Thomas Ely Limited
Gloucester Co-operative Pharmacies Limited	Tilley & Daniels Limited
Holiday Cybernet Limited	Tilley & Daniels (Birmingham) Limited
Holidays-in-heaven.com Limited	Tilley & Daniels (Gornal) Limited
Hopkins Moorhouse Limited	Tilley & Daniels (Pensnett) Limited
Hubcentre Limited	Tilley & Daniels (Woodsetton) Limited
Imagine Co-operative Childcare Limited	Twentieth Century Suppliers Limited
J Whitmore Limited	West Midlands Asian Funeral Services Limited
Lichpharm Limited	West Midlands Co-op Foodstores (Shropshire) Limited
MC Co-operative IT Limited	Whichflight.co.uk Limited
Midcounties Leasing Limited	Woodstates Limited
Motorworld (Oxford) Limited	

The Society also owns 20% of Co-operative Web Limited.

Notes to the Financial Statements

29. Transition to IFRS

These are the Society's first consolidated financial statements under IFRS.

The accounting policies set out on page 44 to 51 have been applied in preparing the consolidated financial statements, including comparative information for the year to 27 January 2007 and the preparation of an opening balance sheet as at 28 January 2006 (the Society's date of transition). All adjustments made on transition are adjusted via retained earnings.

The following principal differences arise on transition to IFRS:

1) Intangible assets

IAS 38 (Intangible Assets) requires that goodwill is not amortised. Instead it is subject to an annual impairment review.

As the Society has elected not to apply IFRS 3 retrospectively to business combinations prior to the transition date, the UK GAAP goodwill balance is included as previously stated in the opening balance sheet and is no longer amortised through the Income Statement.

The Society has separately identified pharmacy and post office licences.

2) Financial instruments

IAS 32 and IAS 39 (Financial instruments: Disclosure, Presentation, Recognition and Measurement) address the accounting for and reporting of, financial instruments.

All derivative financial instruments are accounted for at market value whilst other financial assets and liabilities are accounted for either at amortised cost or fair value depending on their classification. This has resulted in the following adjustments:

- revaluation of funeral prepayment liabilities.
- recognition of interest rate swap assets and liabilities.

The Society has classified certain of its equity investments as available for sale. This classification does not reflect the intentions of management in relation to these investments.

3) Deferred and current taxes

There is no change to calculating current income tax as a result of adopting IFRS. However, the basis of calculating deferred tax changes from an Income Statement approach to a Balance Sheet approach. The Balance Sheet approach compares the tax value with the carrying value of assets and liabilities at the balance sheet date.

Of the additional requirements of IAS 12 (income Taxes), the most significant requirements are:

- to recognise a deferred tax liability in respect of rolled over capital gains on properties.
- to recognise a deferred tax liability on revalued properties.
- to recognise a deferred tax asset in respect of goodwill previously written off (pre FRS 10) for which a deduction will be obtained in the future.

Notes to the Financial Statements

29. Transition to IFRS (continued)

4) Fixed assets

IAS 16 (Property, Plant and Equipment) and IAS 40 (Investment Properties) require various adjustments to be made to Property, Plant and Equipment and Investment Properties. These are principally:

- the reallocation of gains in respect of investment properties from revaluation reserves to the income statement. Previously taken through Statement of Total Recognised Gains and Losses in UK GAAP.
- the recognition of long term leases on the balance sheet reflecting the wider definition of leases under IFRS
- an alternative valuation basis for certain properties moving from value in use under FRS 15 to market value under IAS 16.
- a change in the way vehicle repurchase commitments are accounted. Vehicles sold with a commitment to buy back are treated as rental until subsequent sale.

5) Accounting for funeral bond liabilities

The adoption of IFRS 4 requires the fair value of the liability in respect of funeral bonds to be recognised and any movement in the year to be charged or credited through the Income Statement.

6) Presentation differences

Several reclassification adjustments have been made to bring the presentation of certain balances in line with IFRS. These are mainly in respect of dividends and grants, funeral prepayment plans, reserves and the reclassification of assets held for sale.

7) Revenue Recognition

IAS 18 states that revenue cannot be recognised until the significant risks and rewards of ownership of goods have been transferred to the buyer. Revenue in the Motor Group has been reduced.

8) Holiday Pay

IAS 19 requires the cost of holidays earned by staff and not taken at the balance sheet date to be accrued.

Notes to the Financial Statements

Set out below is a reconciliation of the Income Statement for 2007, the Balance Sheets for 2006 and 2007 and a full reconciliation of revenue reserves from the date of transition:

Reconciliation of the UK GAAP Consolidated Income Statement for the Year ended 27 January 2007.

UK GAAP Format	IFRS transition adjustments	UK GAAP £'000	Presentation differences £'000	Measurement and recognition differences £'000	IFRS £'000	IFRS Format
GROSS SALES	(7)	596,571		(1,304)	595,267	
Less agency sales adjustment		(91,980)			(91,980)	
Less VAT and other sales related taxes		(39,457)			(39,457)	
TURNOVER	(7)	465,134	0	(1,304)	463,830	REVENUE
Cost of sales		(334,408)		1,485	(332,923)	Cost of sales
GROSS PROFIT		130,726	0	181	130,907	GROSS PROFIT
Expenses	(1, 4, 8)	(121,097)		952	(120,145)	Operating expenses
UNDERLYING TRADING PROFIT		9,629	0	1,133	10,762	
Exceptional items		4,711			4,711	Significant items (disclosed separately)
TRADING PROFIT		14,340	0	1,133	15,473	TRADING PROFIT
Profit on sale of properties, investments & businesses (4)		631		928	1,559	Operating income (pre trading profit)
PROFIT BEFORE INTEREST		14,971	0	2,061	17,032	OPERATING PROFIT
Interest payable	(2, 4)	(2,416)		(101)	(2,517)	Finance expenses
Interest receivable	(2)	560		340	900	Finance income
Other finance costs		(142)			(142)	Finance expenses
PROFIT BEFORE DIVIDENDS AND GRANTS		12,973	0	2,300	15,273	
Members dividend		(541)	(33)		(574)	Payments to and behalf of members
Grants and other member benefits		(33)	33		0	
PROFIT BEFORE TAXATION		12,399	0	2,300	14,699	PROFIT BEFORE TAXATION
Taxation	(3)	(4,083)		(597)	(4,680)	Income tax expense
TRANSFER TO RESERVES		8,316	0	1,703	10,019	PROFIT FOR THE YEAR

Notes to the Financial Statements

Reconciliation of the UK GAAP Balance Sheet

As at 28 January 2006

UK GAAP Format	IFRS transition adjustments	UK GAAP £'000	Presentation differences £'000	Measurement and recognition differences £'000	IFRS £'000	IFRS Format
Fixed Assets:						
Intangible						
Goodwill	(1)	4,485		(25)	4,460	Goodwill
Licences		0		25	25	Licences
		<u>4,485</u>	0	0	<u>4,485</u>	Intangible assets
Tangible						
Land & buildings		147,640			147,640	Land & buildings
Plant, fixtures & fittings		24,293			24,293	Plant, fixtures & fittings
Vehicles		2,667			2,667	Vehicles
		<u>174,600</u>	0	0	<u>174,600</u>	Property, plant and equipment
Investment properties	(4)	21,631		937	22,568	Investment properties
Investments						
Co-operative Group		1,561			1,561	Available for sale assets
Other (I&P Societies)		59			59	Available for sale assets
Funeral prepayment plan		5,797	8,427		14,224	Financial assets at fair value through the Income Statement
Mortgages		15			15	Available for sale assets
Other investments		65	3		68	Available for sale assets
		<u>7,497</u>	<u>8,430</u>	0	<u>15,927</u>	Other investments
Current Assets:						
Stocks						
Work in progress		45			45	Work in progress
Consignment stock		6,222			6,222	Consignment stock
Goods for resale		22,467			22,467	Goods for resale
Vehicle repurchase commitments		0			0	
		<u>28,734</u>	0	0	<u>28,734</u>	Stocks
Debtors						
Credit sales accounts		23,653			23,653	Trade receivables
Other debtors		8,788			8,788	Other receivables
VAT		323			323	Other receivables
Prepayments		1,957			1,957	Other receivables
		<u>34,721</u>	0	0	<u>34,721</u>	Trade and other receivables
Investments						
Funeral prepayment plan		8,427	(8,427)		0	
Other investments		3	(3)		0	
		<u>8,430</u>	<u>(8,430)</u>	0	<u>0</u>	
Financial assets		0			0	Financial assets and derivatives
Cash		19,861			19,861	Cash and cash equivalents

Notes to the Financial Statements

Reconciliation of the UK GAAP Balance Sheet As at 28 January 2006 (continued)

	IFRS transition adjustments	UK GAAP £'000	Presentation differences £'000	Measurement and recognition differences £'000	IFRS £'000	IFRS Format
Current Liabilities:						
Creditors						
Trade creditors		(53,795)			(53,795)	Trade payables
Corporation tax		(985)			(985)	Liabilities in respect of current tax
Other tax and social security		(1,183)			(1,183)	Other payables
Accrued charges	(8)	(11,045)		(259)	(11,304)	Accrued charges
Vehicle repurchase commitments		0			0	
Dividends and grants		(2,159)			(2,159)	Other payables
Funeral prepayment plans		(1,466)	(14,408)		(15,874)	Funeral prepayment plans
Other creditors		(3,062)			(3,062)	Other payables
		<u>(73,695)</u>	<u>(14,408)</u>	<u>(259)</u>	<u>(88,362)</u>	Trade and other payables
Loans & overdrafts						
Savings stamp club		(31)			(31)	Finance lease liabilities
Obligations under finance leases	(7)	(417)		(39)	(456)	Secured bank loans
Bank loans		(3,965)			(3,965)	Loans and borrowings
		<u>(4,413)</u>	<u>0</u>	<u>(39)</u>	<u>(4,452)</u>	
Long-term liabilities:						
Financial liabilities						
	(2)	0		(226)	(226)	Financial liabilities and derivatives
Creditors						
Funeral prepayment plans		(13,222)	13,222		0	
Loans						
Obligations under finance leases	(4)	(1,049)		(898)	(1,947)	Finance lease liabilities
Bank loans		(30,689)			(30,689)	Secured bank loans
		<u>(31,738)</u>	<u>0</u>	<u>(898)</u>	<u>(32,636)</u>	Loans and borrowings
Deferred tax						
Accelerated capital allowances	(3)	(727)		(15,237)	(15,964)	
Short term timing differences	(3)	(4,131)		4,431	300	
		<u>(4,858)</u>	<u>0</u>	<u>(10,806)</u>	<u>(15,664)</u>	Deferred tax asset and liabilities
Pensions						
		(25,825)			(25,825)	Pension obligations
Net assets						
		<u>146,208</u>	<u>(1,186)</u>	<u>(11,291)</u>	<u>133,731</u>	
Share capital & Reserves:						
Share capital						
		30,933			30,933	Share capital
Revaluation Reserve						
		46,954	(6,263)		40,691	Other Reserves
Revenue Reserves						
		68,321	6,263	(12,477)	62,107	Retained Earnings
Members Funds						
		<u>146,208</u>	<u>0</u>	<u>(12,477)</u>	<u>133,731</u>	Equity

Notes to the Financial Statements

Reconciliation of the UK GAAP Balance Sheet As at 27 January 2007

UK GAAP Format	IFRS transition adjustments	UK GAAP £'000	Presentation differences £'000	Measurement and recognition differences £'000	IFRS £'000	IFRS Format
Fixed Assets:						
Intangible						
Goodwill	(1)	7,062	(2,911)	1,138	5,289	Goodwill
Licences		0	2,911		2,911	Licences
		<u>7,062</u>	<u>0</u>	<u>1,138</u>	<u>8,200</u>	Intangible assets
Tangible						
Land & buildings	(4)	158,548	(59)	711	159,200	Land & buildings
Plant, fixtures & fittings		20,248			20,248	Plant, fixtures & fittings
Vehicles	(7)	1,988		893	2,881	Vehicles
		<u>180,784</u>	<u>(59)</u>	<u>1,604</u>	<u>182,329</u>	Property, plant and equipment
Investment properties	(4)	20,804	(1,914)	937	19,827	Investment properties
Investments						
Co-operative Group		1,647			1,647	Available for sale assets
Other (I&P Societies)		59			59	Available for sale assets
Funeral prepayment plan		7,386	8,048		15,434	Financial assets at fair value through the Income Statement
Mortgages						
Other investments		15			15	Available for sale assets
		<u>65</u>	<u>3</u>	<u>0</u>	<u>68</u>	Available for sale assets
		<u>9,172</u>	<u>8,051</u>		<u>17,223</u>	Other investments
Current Assets:						
Stocks						
Work in progress		135			135	Work in progress
Consignment stock		5,327			5,327	Consignment stock
Goods for resale	(4)	24,498		3	24,501	Goods for resale
Vehicle repurchase commitments	(4)	1,551		(1,551)	0	
		<u>31,511</u>	<u>0</u>	<u>(1,548)</u>	<u>29,963</u>	Stocks
Debtors						
Credit sales accounts		26,248			26,248	Trade receivables
Other debtors		8,248			8,248	Other receivables
VAT		0			0	Other receivables
Prepayments		2,998			2,998	Other receivables
		<u>37,494</u>	<u>0</u>	<u>0</u>	<u>37,494</u>	Trade and other receivables
Investments						
Funeral prepayment plan		8,048	(8,048)		0	
Other investments		3	(3)		0	
		<u>8,051</u>	<u>(8,051)</u>	<u>0</u>	<u>0</u>	
Assets classified as held for sale		0	1,973		1,973	Assets classified as held for sale
Financial assets	(2)	0		114	114	Financial assets and derivatives
Cash		13,345			13,345	Cash and cash equivalents

Notes to the Financial Statements

Reconciliation of the UK GAAP Balance Sheet As at 27 January 2007 (continued)

	IFRS transition adjustments	UK GAAP £'000	Presentation differences £'000	Measurement and recognition differences £'000	IFRS £'000	IFRS Format
Current Liabilities:						
Creditors						
Trade creditors		(56,777)			(56,777)	Trade payables
Corporation tax		(1,623)			(1,623)	Liabilities in respect of current tax
Other tax and social security		(1,235)			(1,235)	Other payables
Accrued charges	(8)	(9,033)		(264)	(9,297)	Accrued charges
Vehicle repurchase commitments	(4)	(1,551)		1,551	0	
Dividends and grants		(1,349)			(1,349)	Other payables
Funeral prepayment plans	(2)	(1,593)	(14,357)	(1,231)	(17,181)	Funeral prepayment plans
Other creditors		(6,488)			(6,488)	Other payables
		<u>(79,649)</u>	<u>(14,357)</u>	<u>56</u>	<u>(93,950)</u>	Trade and other payables
Loans & overdrafts						
Savings stamp club		(37)			(37)	
Obligations under finance leases	(4)	(388)		(935)	(1,323)	Finance lease liabilities
Bank loans		(335)			(335)	Secured bank loans
		<u>(760)</u>	<u>0</u>	<u>(935)</u>	<u>(1,695)</u>	Loans and borrowings
Long-term liabilities:						
Creditors						
Funeral prepayment plans		(14,357)	14,357		0	
Loans						
Obligations under finance leases	(4)	(651)		(913)	(1,564)	Finance lease liabilities
Bank loans		(31,774)			(31,774)	Secured bank loans
		<u>(32,425)</u>	<u>0</u>	<u>(913)</u>	<u>(33,338)</u>	Loans and borrowings
Deferred tax						
Accelerated capital allowances	(3)	13		(14,568)	(14,555)	
Short term timing differences	(3)	(4,265)	5,602	4,026	5,363	
		<u>(4,252)</u>	<u>5,602</u>	<u>(10,542)</u>	<u>(9,192)</u>	Deferred tax asset and liabilities
Pensions		(13,073)	(5,631)		(18,704)	Pension obligations
Net assets		<u>163,707</u>	<u>(29)</u>	<u>(10,089)</u>	<u>153,589</u>	
Share capital & Reserves:						
Share capital		29,910			29,910	Share capital
Revaluation Reserve	(4)	50,527	719	(5,757)	45,489	Other Reserves
Revenue Reserves		83,270	(719)	(4,361)	78,190	Retained Earnings
Members Funds		<u>163,707</u>	<u>0</u>	<u>(10,118)</u>	<u>153,589</u>	Equity

Notes to the Financial Statements

Reconciliation of Revenue Reserves

	£'000
2006 reserves as originally stated	68,321
IFRS transitional adjustments as explained above	(6,214)
Restated 2006 reserves under IFRS	<u>62,107</u>
2007 profit for the year as originally stated	8,316
Adjustments to profit for the 2007 year as explained above	1,703
2007 restated result for the year	<u>10,019</u>
Reserve movements for the year as previously stated:	
Share interest (net of tax)	(806)
Realised gain on disposal of investment properties	1,647
Actuarial gain on employee benefits	6,292
Other fair value adjustments	(500)
	<u>6,633</u>
Additional reserve movements for the year under IFRS:	
Deferred tax adjustment on revalued properties	1,078
Transfer gain on investment property revaluation to profit	(928)
Transfer to revaluation reserve	(719)
	<u>(569)</u>
2007 closing reserves restated under IFRS	<u><u>78,190</u></u>

Statement of cash flows

There are no material differences between the cash flow presented under IFRS and the cash flow statement presented previously under UK GAAP.

The **co-operative**

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