THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2015

The Midcounties Co-operative

Half Year Report 2015/16
For the 26 weeks ended 25 July 2015

Society highlights

We have been named Co-operative of the Year for the second time - the only co-op to achieve the double.

We were awarded the Queen's Award for Enterprise in Sustainable Development in recognition of our positive environmental initiatives, sustained growth and contribution to our local communities.

Co-operative Energy won the prestigious EU Sustainable Energy Europe Award for its User Chooser initiative.

Co-operative Travel was awarded the Best Large Travel Agency in the UK for the second time.

Our membership continues to grow and now stands at over 500,000.

The Society raised £70,000 for the Nepal Earthquake Fund and we have had over 7,500 items donated to our Food Banks in 2015.

INVESTORS IN PEOPLE | Gold

best company 2014

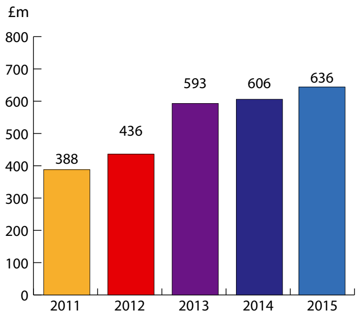
THE SUNDAY TIMES 25 BEST BIG COMPANIES TO WORK FOR 2011

THE SUNDAY TIMES 25 BEST BIG COMPANIES TO WORK FOR 2012

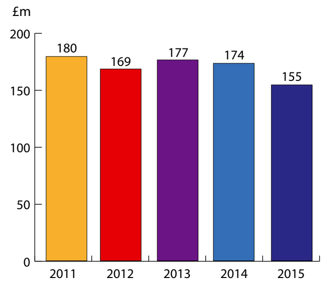
THE SUNDAY TIMES 25 BEST BIG COMPANIES TO WORK FOR 2013

THE SUNDAY TIMES 25 BEST BIG COMPANIES TO WORK FOR 2014

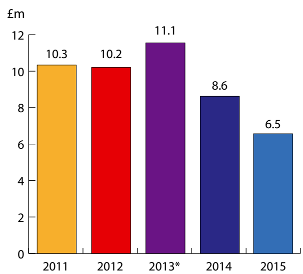
Gross sales



Net assets



Operating Profit before Significant Items



* Operating profit before significant items in 2013 is calculated as operating profit before significant items less commissions paid to energy switching sites

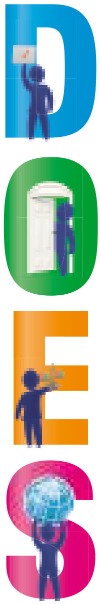
Who we are

About us

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

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

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



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

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

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

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

Our purpose

Working together to create a better, fairer world

President's overview

"I'm convinced this is the most inclusive and interactive AGM of a large scale business in the UK"

Ruth FitzJohn

As your new President, I thought my first half year would be all about strengthening governance and steady as she goes. It turned out to being a roistering six months of fighting for co-operation, award winning delivery, powerful strategic planning and with a buzzing Annual General Meeting full of members' creative ideas.

Sometimes friends have to stop friends making mistakes so we found ourselves working with other independent societies helping The Co-operative Group to rethink its own governance plans. It wasn't comfortable for anyone, but since together the independent societies own 21% of The Co-operative Group we needed to take this responsibility seriously. In the end co-operation delivered.

Although we can always improve, we know that Midcounties works really hard to trade well and serve our communities and members better. This half year however we have had more external affirmation with great awards earned by our colleagues on behalf of all of us. In these six months we won Best Large Travel Agency in the national Agent Achievement Awards, the Queen's Award for Enterprise in Sustainable Development and also Co-operative of the Year for the second time, proving that our colleagues really do measure up to the best.

Our AGM in May was fun, challenging, inclusive and a real learning event for all. I'm convinced this is the most inclusive and interactive AGM of a large scale business in the UK, and member feedback confirms this view. If you missed it, check out the highlights at www.midcounties.coop/Membership/Annual-General-Meeting/ and then put 7 May 2016 in your diary.

In the background, over the last six months your elected Board has worked to clarify our purpose. **We aim 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.** Over many vibrant evenings and weekends your Board debated and decided how to ensure we deliver our purpose now and in coming years.

So, not very quiet after all but instead a productive and busy half year of progress.

Ruth FitzJohn
President

Chief Executive's review

"The first half of this year has been notable for the significant awards we received"

Ben Reid OBE

As the President has noted in her report, the first half of this year has been notable for the significant awards we received, which have included Co-operative of the Year and the Queen's Award for Enterprise in Sustainable Development. These are a clear endorsement of the Co-operative values of Midcounties. However, it is essential that we can also demonstrate that Co-operation works as an effective business model. We are therefore pleased to be able to declare an operating profit before significant items for the half year of £6.5 million, which is ahead of our budget.

We have seen a particularly strong performance from our Childcare, Travel and Funeral businesses and the sales increases across our convenience store estate underline the potential we have to develop in this area.

Trading remains tough in our large food stores but the successful launch of our new concept store in Chipping Norton gives us cause for optimism. Healthcare is facing challenges as a result of a national drive to reduce prescription numbers but we have recently launched an online strategy which is already delivering very positive results.

Our Energy business has shown significant growth over the period with the recruitment of an additional 32,000 customers. This rapid growth does bring with it challenges, particularly around the upgrading of our systems, which has led to customer service issues we are working to resolve, and additional costs we have had to absorb. These additional costs are a key factor in the £2.1 million reduction to our overall Society profitability at the half year in comparison to last year. However, in the coming months we expect the additional profitability earned from the increase in customers will ensure a strong result at the year end.

Our net capital investment this half year of £7.6 million demonstrates our continuing commitment to developing the Society's core assets. Net borrowings at this half year end are £38.2 million, which is £10.5 million better than year end. The Society's net assets have fallen in the first six months by £2.8 million to £155.3 million which reflects the shifting profit profile within the Energy business.

The first half year has been a mixture of ongoing and new challenges but we are confident we will continue proving that the Co-operative model is a better way of doing business.

Ben Reid OBE
Chief Executive

Food Retail

"Revenue from our convenience stores continues to grow and we are making progress with a strategy for our large stores"

As has been widely reported in the media, the food retail market as a whole continues to be challenging. Our Food Retail business achieved gross sales of £285 million in the first half of the year, reflecting a like-for-like sales reduction of 3.6%. However, revenue from our convenience stores continues to grow, we are making progress with a strategy for our large stores, and costs have been consistently controlled. As a result the business was marginally ahead of its sales and profit forecasts at the half year.

We completed the roll-out of automatic 'sales based ordering' for fresh foods by the end of July across our entire Food estate. Sales during the roll-out phase have been very promising, driven by an increase in range and product availability.

We are continuing to invest in our stores, opening two new convenience stores at Cox Green, Maidenhead in March and Church Lane, Tipton in April. In addition, we have been remodelling a number of our supermarkets to incorporate concessions. These have included Bonmarché, Brantano, The Works and Dorothy Perkins all of which will help to establish these large stores as a shopping destination.

We also launched our new pilot store in Chipping Norton, Oxfordshire in July. The store features new additions such as a fresh fish counter, a patisserie and a fresh meat counter. Customer feedback has been very positive and sales are above expectation. We are also trialling a dedicated community area which we will use to recruit new members and emphasise our Co-operative Difference.

We have been implementing a significant colleague restructuring programme across the whole store estate. This will ensure that we are well placed to face market place challenges by having the right roles in each store, and that there is consistency around pay scales across the Group.

Travel

"We were voted the 'Best Large Travel Agency in the UK' for the second year running"

This has been an exciting half year for our Travel business with sales up by 13% to £155 million. We were also voted the 'Best Large Travel Agency in the UK' for the second year running which is considered to be the highest accolade in the Travel Industry.

During the period we launched 'Co-operative Rooms' which will provide a large selection of hotel beds for sale to our customers. This is the first stage of our plan to launch our own Co-operative tour operation in the autumn. The initial response has been very positive which increases our level of optimism around the potential success of this venture.

We demonstrated our commitment to the High Street with the launch of our new branch in Tamworth. This has been rewarded by the branch proving to be the most successful opening to date with overall sales already exceeding £2.1 million.

Away from the High Street we have also been able to develop our Personal Travel Agents business which offers personalised and specialist travel services to our members and customers. This is proving to be very popular and so we intend to recruit additional home based agents over the autumn.

Our Co-op Consortium continues to go from strength to strength. Six new businesses joined us over the period and a further three have committed to join in the autumn. This form of co-operative, collective buying is proving to be a great success.

We continue to invest in our colleagues, introducing a new uniform and recruiting six new apprentices, with no previous travel experience, who are taking the Diploma in Travel Services.

We are also working closely with our partner schools and colleges to deliver interactive lessons on Sustainable Tourism in partnership with Just a Drop and The Travel Foundation charities.

Energy

"As part of our drive to improve customer service we have significantly increased the number of call centre advisors"

Despite a challenging first half of the year, Co-operative Energy has continued to grow, increasing customer numbers by 32,000 to 245,000. Sales were £122.2 million, up by 20% on last year.

In order to accommodate the growth and create a platform for the future we have invested in a new billing system which has brought with it some problems. This has impacted upon our ability to provide a first class service to our customers. Maximum attention is being given to this by both the Board and the management team. We anticipate that we will have resolved the problems by the end of October.

As part of our drive to improve customer service we have significantly increased the number of call centre advisors which will speed up our response times. We have also introduced a new cloud based phone system to improve call handling and introduced specialist staff to enable more complex queries to be resolved at the first point of contact.

Customer communication is critical, particularly through this period of change, so greater emphasis has been placed on customer contact including our monthly newsletters. We have also developed our online capacity so customers can manage their own accounts.

While we have to maintain our focus on improving the day to day operation we also have to plan for the future. With this in mind we have introduced our User Chooser service which allows customers to choose where their electricity is generated. This initiative won the prestigious EU Sustainable Energy Europe Award for empowering consumers during the period.

Healthcare

"We launched our second Healthcare store in Chipping Norton Oxfordshire"

The Pharmacy sector is undergoing significant change, along with all other sectors of the NHS. There has been a drive to reduce the number of prescriptions issued by GPs which has had the inevitable effect of reducing our sales over the period by £385k.

However, the introduction of the Electronic Prescription Service, which allows patients to direct their prescriptions to their local pharmacy, provides an opportunity to increase market share and we will be placing considerable focus upon this during the second half of the year.

We will also continue to develop our online capacity which includes our Online Doctor facility which has performed well over the past six months. The present site will be enhanced to enable us to offer a range of additional products to our regular customers.

We launched our second Healthcare store in Chipping Norton Oxfordshire. The store received a full makeover, with an improved layout including a new DIY Health Hub where customers can measure their own blood pressure for free with support from the Healthcare Team. This has been well received and provides a platform to roll the concept out across the Group.

At the heart of the Healthcare business is customer service. Despite high scores from our customer surveys we continue to place great emphasis on training our colleagues to deliver excellent customer service.

We continue to show the Co-operative Difference in the local communities we serve, taking an active role in Dementia Awareness Week in partnership with The Alzheimer's Society. As part of this we trained over 130 dementia friends to support people with the condition and saw over 30 patients in our Dementia Information Clinics. We also delivered over 400 health checks in our Health Hub at Cannock and taught nearly 500 children about good dental practice.

Funeral

"Sales in our Funeral Group have been strong over the first half of the year. We conducted 3,900 funerals, an increase of 11.0%."

Sales in our Funeral Group have been strong over the first half of the year. We conducted 3,900 funerals, an increase of 11.0%. Experience suggests that funeral numbers fluctuate over a year so it is unlikely we will maintain this level of growth, but they do provide a good indication that we will have another successful trading year.

Over the last few years there has been a distinct shift towards the purchase of funeral pre-payment plans by the general public. It is therefore pleasing that our sales of plans increased by 66% over the period. This helps to secure our business for the future and we will be looking to strengthen our marketing of the plans over the second half of the year.

Our colleagues are at the heart of the service we provide. To underpin this we have continued to train and develop our colleagues, delivering the National Association of Funeral Directors Diploma and winning awards run by the National Association of Memorial Masons.

We have also continued to support the community, producing a series of bereavement support DVDs to help parents, teachers, carers and other professionals support children who have lost a parent or grandparent. Entitled 'A Year since' they are aimed at Key Stages 2 - 4 (7 - 16 year olds). The DVDs will be linked to our 'Amy and Tom' books to create a cohesive child bereavement support package.

Childcare

"We have continued to see significant improvements in our Ofsted ratings, with 40 of our nurseries now being rated as either Good or Outstanding"

We have 47 nurseries all branded under The Co-operative Childcare fascia, maintaining our position as the sixth largest nursery provider in the UK. We have continued to focus on customer service and our latest customer survey indicates a significant improvement over the period.

Occupancy has been at record levels and we have continued to see significant improvements in our Ofsted ratings, with 40 of our nurseries now being rated as either Good or Outstanding – a key measure.

To promote awareness of our business we are trialling our first TV advert which will be shown for a month on Sky+HD in a limited area. If this proves successful we will extend it across all of our regions to promote our brand values.

We continue to develop our team, creating two new senior management positions and a Childcare Management Development Programme which gives managers the tools they need to be effective and ensure consistency across the management team. We have also invested in an Apprenticeship training scheme for early years' educators, introduced to meet new government regulations. A total of 58 colleagues will be enrolled on this course to enhance their childcare skills and enable them to progress in their development.

Post Office

"We have completed 33 Post Office conversions, both 'local' and 'main' in line with the Network Transformation conversion programme"

The Post Office Group has continued to see significant changes, completing 33 Post Office conversations, both 'local' and 'main', in line with the Network Transformation conversion programme.

The new 'local' model has seen a number of dedicated Post Office counters removed from stores and replaced with selected services provided from the retail kiosk for longer hours. This means services are now available to more customers at a time more convenient to them. The 'mains' model has seen open plan counters introduced, allowing customers to interact more easily with colleagues with, again, selected services being available from the retail kiosk increasing convenience and availability.

We have continued to acquire new sites, opening Post Offices in Highworth and Gorse Hill, Swindon and in our Lichfield Road food store in Walsall.

Flexible Benefits

"The delay to the introduction of the Tax Free Childcare scheme until early 2017 allows the business to continue selling Childcare Vouchers"

Our Flexible Benefits business achieved a strong trading performance at the half year and maintained a high level of customer satisfaction.

In July the government announced an 18 month delay to the introduction of the Tax Free Childcare scheme until early 2017. This allows the business to continue selling Childcare Vouchers and therefore generate new business.

There will be a transitional period after the introduction of the new scheme in 2017 which means that customers we sign up now can retain the benefit. This provides a great incentive for us to drive our recruitment of new customers forward over the next 18 months.

Customer Loyalty Index (CLI)

CLI is used to gauge the strength of our customer relationships. It tracks whether our customers would recommend us to their friends, families and colleagues. Customer satisfaction is measured using the question "how likely are you to recommend our products or services to your friends and family?" with a follow up question "what is the one thing that could improve your score?". The maximum score is 100. Overall our Midcounties CLI this half year is 74, up 3 points on last year.

Membership & Co-operative Social Responsibility

"The Society raised £70,000 for the Nepal Earthquake Fund and we have had over 7,500 items donated to our Food Banks in 2015."

Our membership continues to grow and now stands at over 500,000. Our AGM in May was well attended. Members received an update on the performance of the Society, participated in a series of forums and finished with questions to the Board and Executive on issues ranging from the use of local suppliers to the phasing out of carrier bags. We also showcased our 'Growing Ideas for Tomorrow's Society' (GIFTS) scheme, an initiative encouraging members and colleagues to put forward innovative ideas that may benefit the Society. Members also took an active role in Co-operatives Fortnight, which this year was run under the theme of the Big Co-op Clean.

Eleven Regional Community areas have now been launched. These represent our new approach to supporting communities in selected geographical areas across the Society's heartlands. They are helping to focus our community effort with activity centred on the identification of joint community plans and support for local charities. The Society raised £70,000 for the Nepal Earthquake Fund and we have had over 7,500 items donated to our Food Banks in 2015. A further eight Regional Communities are planned for launch in the near future.

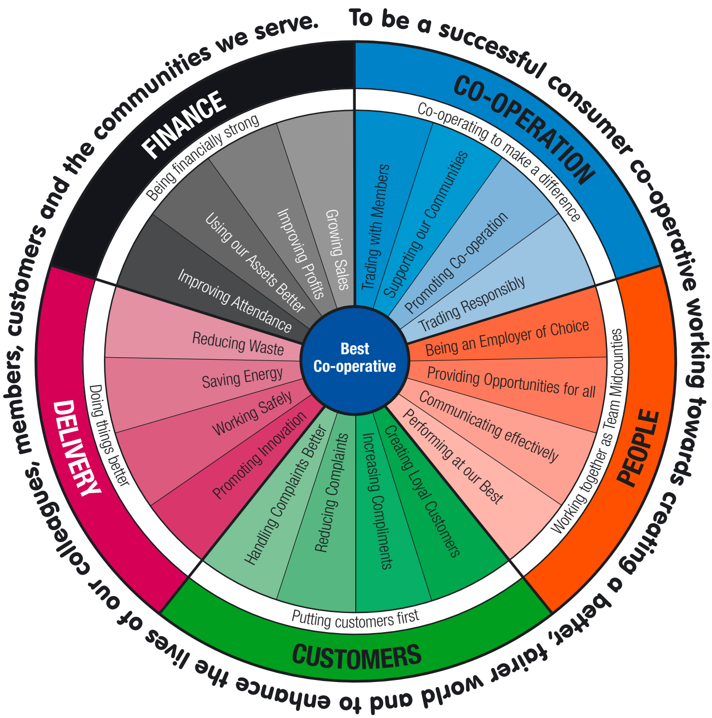
We have received two prestigious awards in the first half of the year. We were voted Co-operative of the Year for the second time making us the only co-operative to win this award twice and we were awarded the Queen's Award for Enterprise in Sustainable Development. This award, a real accolade, acknowledges our positive environmental initiatives, sustained growth and our contribution to the local communities we serve.


GIFTS
GIFTS

Questions

St Giles

Reporting our Steering Wheel



Steering wheel

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

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

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

Co-operation

Trade with members

Percentage of trade with members: 43.9% (last year 43.8%)

Supporting our communities

Hours volunteered in the community by colleagues: 11,500 (last year 11,600)

Promoting co-operation

Number of members involved in co-operative activity: 11,700
(last year 13,400)

Acting ethically

Value of ethical trade: £33 million
(last year £30 million)

People

Being an employer of choice
Percentage of controllable colleague turnover as a moving annual total: 18.3% (last year 17.2%)

Providing opportunities for all
Percentage of colleagues with NVQ2 equivalent or above: 88%
(last year 76%)

Communicating effectively
Percentage attendance rate at Colleague Council meetings: 87%
(last year 91%)

Performing at our best
Percentage of colleagues receiving annual performance reviews: 94%
(last year 51%)

Customers

Creating loyal customers
Customer Loyalty Index: 74
(last year 71)

Reducing complaints
Number of customer complaints: 7,000 (last year 5,600)

Increasing compliments
Number of customer compliments: 6,000 (last year 5,800)

Handling complaints better
Percentage of customers who agreed we responded well to their complaint: 57% (last year 56%)

Delivery

Promoting Innovation
Number of ideas implemented having a positive impact on another Steering Wheel measure: 4
This is a new measure and was reported for the first time in last year's Annual Report

Working safely
Number of accidents/incidents reported as a moving annual trend: 787 (last year 820)

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

Recycling
Percentage of waste recycled: 84%
(last year 82%)

Interim Income Statement

for the 26 weeks ended 25 July 2015

	Notes	**26 weeks to 25 July 2015 (Unaudited)**	Restated* 26 weeks to 26 July 2014 (Unaudited)	Restated* 52 weeks to 24 January 2015 (Audited)
		£'000	£'000	£'000
Revenue	2	**472,498**	459,624	910,000
Cost of sales		**(348,924)**	(339,651)	(668,161)
Gross profit		**123,574**	119,973	241,839
Operating expenses		**(117,115)**	(111,361)	(222,465)
Operating profit before significant items		**6,459**	8,612	19,374
Significant items*	3	**(1,622)**	1,696	(307)
Operating profit		**4,837**	10,308	19,067
Finance costs		**(2,387)**	(2,760)	(5,349)
Profit before payments to and on behalf of members		**2,450**	7,548	13,718
Payments to and on behalf of members		**(4,006)**	(4,169)	(4,537)
(Loss)/profit before tax		**(1,556)**	3,379	9,181
Income tax expense		**(79)**	(1,116)	(2,195)
Transfer (from)/to reserves		**(1,635)**	2,263	6,986

* Refer to note 3 on page 21 for an explanation of the restatement to significant items

Consolidated Statement of financial position

as at 25 July 2015

	As at 25 July 2015 (Unaudited) £'000	As at 26 July 2014 (Unaudited) £'000	As at 24 January 2015 (Audited) £'000
ASSETS			
Non-current assets			
Property, plant and equipment	**201,138**	210,061	194,274
Intangible assets	**59,152**	56,163	57,977
Investment property	**12,584**	12,751	12,584
Other investments	**40,967**	37,057	39,110
Deferred tax assets	**7,913**	3,027	7,822
Total non-current assets	**321,754**	319,059	311,767
Current assets			
Other investments (current)	**3,231**	2,895	3,078
Stocks	**29,143**	26,955	29,651
Trade and other receivables	**128,102**	103,219	136,292
Cash and cash equivalents	**19,615**	27,542	24,814
Current tax recoverable	**43**	-	-
Assets held for sale	**14,576**	4,969	20,598
Total current assets	**194,710**	165,580	214,433
TOTAL ASSETS	**516,464**	484,639	526,200
LIABILITIES			
Current liabilities			
Loans and borrowings (current)	**1,929**	1,174	1,204
Financial liabilities	**25**	667	379
Trade and other payables	**196,529**	159,190	187,639
Provisions (current)	**408**	320	422
Current tax liabilities	**-**	1,136	359
Total current liabilities	**198,891**	162,487	190,003
Non-current liabilities			
Loans and borrowings	**55,931**	67,953	72,369
Other payables	**43,324**	39,763	41,733
Provisions	**963**	830	1,094
Pension obligations	**62,071**	39,589	62,941
Total non-current liabilities	**162,289**	148,135	178,137
TOTAL LIABILITIES	**361,180**	310,622	368,140
NET ASSETS	**155,284**	174,017	158,060
EQUITY			
Share capital	**41,654**	40,486	42,223
Other reserves	**44,160**	45,831	44,160
Retained earnings	**69,470**	87,700	71,677
TOTAL EQUITY	**155,284**	174,017	158,060

Consolidated Statement of Cash Flows

for the 26 weeks ended 25 July 2015

	26 weeks to 25 July 2015 (Unaudited) £'000	26 weeks to 26 July 2014 (Unaudited) £'000	52 weeks to 24 January 2015 (Audited) £'000
Cash flows from operating activities			
Profit for the period	**(1,635)**	2,263	6,986
Adjustments for:			
Depreciation	**5,544**	4,160	8,364
Amortisation of intangible assets	**78**	11	33
(Profit)/Loss on sale of property, plant and equipment	**41**	(1,085)	(90)
Impairment of property, plant and equipment	**-**	34	34
Change in fair value of investment property	**-**	-	(297)
Change in fair value of trading property	**(68)**	-	104
Payment for the continuation of contractual early retirement pension benefits	**-**	-	1,222
Gain on curtailment of pension scheme	**-**	-	(2,142)
Net finance expense	**2,387**	2,760	5,349
Payments to and on behalf of members	**4,006**	4,169	4,537
Income tax expense	**79**	1,116	2,195
Change in working capital	**12,383**	29,061	22,183
Income tax received/(paid)	**(572)**	1,835	1,085
Net cash from operating activities	**22,243**	44,324	49,563
Cash flows from investing activities			
Interest received	**115**	89	300
Proceeds from sale of non-current assets	**1,209**	2,294	2,341
Purchase of non-current assets	**(8,820)**	(9,933)	(19,688)
Net cash used in investing activities	**(7,496)**	(7,550)	(17,047)
Cash flows from financing activities			
Proceeds from issue of share capital	**5,481**	3,887	11,097
Repayment of share capital	**(6,471)**	(4,834)	(10,997)
Proceeds from new loans	**-**	15,000	20,000
Loan arrangement fees	**-**	(345)	-
Interest paid on borrowings	**(1,454)**	(1,730)	(3,208)
Repayment of bank facilities	**(15,391)**	(38,368)	(39,183)
Repayment of finance lease liabilities	**(280)**	(294)	(685)
Payments to and on behalf of members and share interest paid	**(1,831)**	(2,051)	(4,229)
Net cash used in financing activities	**(19,946)**	(28,735)	(27,205)
Net increase in cash and cash equivalents	**(5,199)**	8,039	5,311
Cash and cash equivalents at start of period	**24,814**	19,503	19,503
Cash and cash equivalents at end of period	**19,615**	27,542	24,814

Notes to the Financial Statements

1. Accounting Policies

This interim financial report is for the 26 week period ended 25 July 2015. The information included within this document has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in issue that are endorsed by the European Commission (EU) and effective to 24 January 2015.

This financial information should be read in conjunction with the Society's Annual Report and Accounts for 2014-15, which were prepared in accordance with IFRS as adopted by the EU, and has been prepared using the accounting policies set out in that report.

The Society's Financial Statements for 2015-16 will be prepared in accordance with IFRS as adopted by the EU.

2. Revenue	**2015 Gross sales £'000**	**2015 Revenue £'000**	2014 Gross sales £'000	2014 Revenue £'000
Food	**285,398**	**259,274**	295,444	268,938
Funeral	**15,362**	**15,142**	13,303	13,103
Healthcare	**20,890**	**20,545**	21,308	20,930
Travel	**155,201**	**37,015**	137,125	37,056
Childcare	**14,333**	**14,312**	13,378	13,355
Energy	**127,213**	**122,174**	107,522	101,841
Post Offices	**1,463**	**1,453**	1,680	1,670
Flexible benefits	**14,176**	**564**	14,349	570
Other	**245**	**194**	184	156
Retail revenue	**634,281**	**470,673**	604,293	457,619
Property rentals	**1,828**	**1,825**	2,008	2,005
	636,109	**472,498**	606,301	459,624

3. Significant items

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

	26 weeks to 25 July 2015 (Unaudited)	**Restated 26 weeks to 26 July 2014 (Unaudited)**	Restated 52 weeks to 24 January 2015 (Audited)
Analysis of significant items:	**£'000**	**£'000**	£'000
Net profit/(loss) on disposal of property, plant and equipment	**(41)**	**1,051**	90
Change in fair value of trading properties	**68**	**-**	(104)
Change in fair value of investment properties	**-**	**-**	297
Expense of business acquisitions	**(70)**	**(275)**	(464)
Impairment of property, plant and equipment	**-**	**-**	(34)
Payment for the continuation of contractual early retirement pension benefits	**-**	**(1,222)**	(1,222)
Gain on curtailment of pension scheme	**-**	**2,142**	2,142
Redundancy costs	**(1,579)**	**-**	(1,012)
	(1,622)	**1,696**	**(307)**

The Society has changed its accounting policy for the recognition of commissions paid to energy switching sites. The Society no longer considers these costs to be a significant item due to the ongoing expenditure on switching site commissions forming part of the underlying expenses of the Group. In the comparative prior period, £195,000 of costs were charged to significant items and in the full year to 24 January 2015, £1,350,000 of costs were charged to significant items. As a result of this change, the prior year results have been restated, recognising the expenses of switching costs within operating expenses rather than significant items, thereby reducing operating profit before significant items for that period.

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

Introduction

We have been engaged by the Society to review the financial information on pages 18 to 21 in the half-yearly report for the six months ended 25 July 2015 which comprises the Interim Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Society in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Society those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly report for the six months ended 25 July 2015 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Simon Purkess
For and on behalf of KPMG LLP
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

5 October 2015

The **Midcounties Co-operative**

We are happy to provide publications in alternative formats

0800 435 902
member.communications@midcounties.coop

The Midcounties Co-operative Limited
Co-operative House, Warwick Technology Park,
Warwick CV34 6DA

www.midcounties.coop

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