

2018/19 Half Year Report

For the 26 weeks ended 28 July 2018



The **Midcounties Co-operative**

www.midcounties.coop



Society highlights

We were voted Leading Co-op of the Year 2018

We were awarded a 5 star rating in Business in the Community's Corporate Responsibility Index

We welcomed the Phone Co-op into the Society's family of businesses

Phil Ponsonby took over as Group Chief Executive

Travel launched its new Business Travel Division

Childcare rebranded to 'Little Pioneers'

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, Telecoms, 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, Telecoms and Flexible Benefits businesses trade across the UK.

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



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



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



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



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

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

The Midcounties Co-operative OUR IMAGINED FUTURE



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



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



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



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



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



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

President's overview



“The work of our 20 regional communities continues to show that the Society sits at the heart of our local communities.”

Helen Wiseman

We are pleased with our half year performance which has been achieved against a challenging trading environment for our two largest businesses – Food and Energy. Energy, in particular, faces a difficult second half.

We have recruited over 46,000 new members and welcome them to the Society. I hope this report demonstrates what an inspiring organisation they now part own.

The work of our 20 regional communities continues to show that the Society sits at the heart of our local communities with colleagues and members looking to make a difference through a great range of support activities, partnerships and grant funding.

We have achieved some notable recognition – our flagship store at Bourton-on-the-Water was nominated by the IGD as one of Europe's top 14 'must see' stores for 2018; our Childcare and Travel teams have won a clutch of awards, and individual colleagues within these groups have been recognised for their inspiring approach, commitment and customer service. It was particularly pleasing that the Society was voted the Leading Co-operative of Year 2018, for a record third time.

Finally, the half year marked the retirement of Ben Reid as Group Chief Executive. Ben has served the co-operative movement for 40 years and has led the Society since 2006. The Board would like to thank him for his leadership and wishes him a long and happy retirement.

In late May, we were pleased to announce that Phil Ponsonby was to take over as Group Chief Executive from the half year. Phil joined the Society in 2015 as Head of Food, but was quickly promoted to Chief Executive, Trading with a much wider brief. He brings a depth of retail experience and a real commitment to the co-operative way of doing business that will serve Midcounties well. I am sure you will join me in wishing him every success in his new role.

A handwritten signature in black ink, appearing to read 'Helen Wiseman'. The signature is fluid and cursive.

Helen Wiseman
President

Chief Executive's review



“Gross sales at £754.8m and profit before significant items and member share of profits at £3.7m are both ahead of our budgeted expectations.”

Phil Ponsonby

It is a privilege to take on the Group Chief Executive role following Ben Reid's retirement. Ben has helped create a Society committed to the co-operative way of doing business with a fantastic team of dedicated colleagues. I want to develop these strengths and serve you, our members, as we look to grow and develop Midcounties in the years ahead.

Looking at the performance of the Society for the first half of the year, it is encouraging to report that gross sales at £754.8m and profit before significant items and member share of profits at £3.7m are both ahead of our budgeted expectations.

There were strong performances from our Travel, Funeral, Childcare and Flexible Benefits businesses – continuing the trend from last year; and our Food business has produced further like-for-like sales increases and is performing to budget, despite a tough period in the spring when we struggled to return to normal following the bad weather.

In early June we were pleased to welcome the Phone Co-op into Midcounties and are now planning to develop a telecoms offer for members and customers.

However, neither our Healthcare nor our Energy businesses have achieved their financial targets.

Healthcare continues to be adversely affected by reductions in government funding. To combat this, we are reshaping the business, looking for efficiencies and growing our online offer.

In Energy, rising wholesale costs, record switching rates, and competitor pricing are proving challenging, and we face increased uncertainty as the market reacts to the recently announced 'price cap'. We have bolstered the business with the acquisition of Flow Energy in May, bringing in a further 119,000 customers. Nonetheless, our forecasts show a downturn in the financial performance of the business in the second half of the year which will impact on the Society's year end result.

Our businesses have been making preparations for Brexit which is now only six months away, though precise planning is difficult given the level of uncertainty.

Away from trading and operational matters we have welcomed over 46,000 new members into the Society. Our total membership now stands at nearly 693,000. This has helped strengthen our Regional Communities programme where, in partnership with local community groups, we direct time and effort into helping the communities in which we trade. As a result we were awarded a 5 star rating in Business in the Community's Corporate Responsibility Index for a second time, and were reaccredited with their CommunityMark. We have also begun to reduce single use plastics, an issue I feel particularly strongly about and I look forward to working with members, suppliers and key partners to make real progress here.

Our businesses, members and community work all show the strength of the co-operative model which has always been about more than just profits. This is no better illustrated than us winning the Leading Co-op of the Year award sponsored by Co-operatives UK for a record third time.

A handwritten signature in black ink, appearing to read 'Phil Ponsonby', written over a thin horizontal line.

Phil Ponsonby
Chief Executive



Food Retail

“Food Retail has had a positive first half of the year, with like for like sales up 4.25% overall, giving us eleven consecutive quarters of like for like sales growth”

Food Retail has had a positive first half of the year, with like for like sales up 4.25% overall, giving us eleven consecutive quarters of like for like sales growth. This positive growth is despite difficult trading conditions earlier in the year, following the bad weather that significantly impacted product availability in store.

We have invested over £3m to cut the price of everyday essential products. Our customers and members now make significant savings on popular brands such as Warburtons, McCain and Muller, as well as our own brand fresh meat, fruit and vegetables.

We have continued to invest in the store experience for our members and customers, investing over £1.7m in the first half of the year in seven Food store refurbishments and two new stores in Barnwood and Wootton Bassett. We've launched new Post Offices in Charlbury, Iffley Road, Kinver and installed our first ever self-service Post Office kiosk in Summertown. Our Hednesford Post Office team were finalists in the Best Retailer and Best Branch Multiple categories at the national Post Office Retail Sales Awards, and Zoe Thompson, manager of our Georgetown Post Office won the Rising Star Award at the Performance Through People Awards 2018.

By focusing on why people want to shop with us and listening to our members through our Talk to Us online customer experience platform, we have improved our food range and

product availability, and simplified our operations to help our colleagues provide even better service. As a consequence, we were shortlisted for leading retail expert IGD's Shopper Insight Awards 2018 for Best Use of Shopper Insight. Our overall customer satisfaction score has also increased by 7% in the first half of 2018.

The Best of our Counties range of locally sourced produce, all ethically produced in neighbouring counties, continues to grow. Sales in the first half of the year were £5.8m, up £1.3m compared to the previous year.

New products to the Best of our Counties range include the Mudwalls Food to Go line, introduced into 40 of our stores across Warwickshire, Worcestershire, Oxfordshire and Wiltshire. This is a unique range of ready to eat fresh salad bowls and baguette sandwiches made from Mudwalls award-winning range of fresh produce and other stand-out ingredients recognised for their high quality, provenance and food traceability - all sourced from the Best of our Counties range.

Our continued investment into championing locally sourced, ethically produced food and drink led to the Best of our Counties range being shortlisted in the Grocer Gold 2018 Awards for Consumer Initiative of the Year.



Travel

“The Travel Group has had a very strong start to the year with overall sales up 7.4% year on year.”

Despite the very hot weather over the summer months which traditionally reduces the demand for holidays, sales in all three trading divisions – Retail shops, our Direct Division (comprising online and personal travel agents), and our Consortium – are ahead of last year. Our continued focus on cruise and long haul has supported an 8% increase in our average selling price. We have also had a great start to the year for ancillary sales such as attraction tickets, car parking and car hire.

Our new Business Travel division was launched in July with our first corporate customer. An internal Midlands rollout is planned.

In line with our strategic growth plan, we have identified key target towns where we want to grow, opening branches in Ilkeston and Arnold this August, with Burton-upon-Trent to follow in the autumn. We continue to look for further sites in the East Midlands area.

We have finalised new design concepts for our retail shops. These will be fresh and modern, targeting our core demographics while still appealing to a younger customer. We will be implementing the new concept in our new East Midlands shops as well as any new refurbishments.

We have started a review of all our systems to drive efficiencies and improvements in the customer journey.

We supported the ‘Make Holidays Greener’ campaign launched in June. This year’s theme ‘say no to plastic’ encouraged colleagues to promote the use of less plastic on holidays and to come up with ideas for using less plastic through our GIFTS programme.

Co-operative Holidays now includes a donation to the Travel Foundation on all holidays booked. Donations from our Direct Division are up by 41% and our collection boxes for unwanted currency are well supported in our retail branches.

We are also supporting Just a Drop, a charity that brings safe water, sanitation and hygiene projects to communities worldwide, as one of our travel partner charities. We are looking to raise £9,000 to provide a rain water harvesting solution for a school in Kenya to leave a lasting legacy. We started by supporting World Water Day in March, and have also held a silent auction and fundraised in our branches. Half of the funds will be raised by September allowing us to start the project.



Energy

“In May, we acquired Flow Energy, an Ipswich-based gas and electricity supplier, welcoming 119,000 new customers to our business.”

The energy marketplace has seen a difficult start to 2018 with rising wholesale prices and a record number of switches within the industry.

However, following the recent acquisition of Flow Energy, our customer base now totals 425,000, a strong foundation for the business in the future.

We have seen a marked increase in our CLI score from 39 in 2017 to 52 in 2018, with a record high score of 62 in period 5. Our colleague engagement score has also increased, from 75 in 2017 to 79 in 2018 and we were recently named as one of the '20 most improved organisations' of the year in the UK Customer Satisfaction Index.

In May, we acquired Flow Energy, an Ipswich-based gas and electricity supplier, welcoming 119,000 new customers to our business. We are developing a number of SMART metering industry leading products and services for late 2018/19 and 2019/20 to drive a more sustainable future and deliver financial benefit to members and consumers.

We formally launched our partnership with Walsall Housing Group, a leading Midlands landlord, to help tackle fuel poverty. Together, we are offering an exclusive tariff, FuelGood Simplicity, which is designed to keep costs fair and affordable to alleviate fuel poverty for residents living in affordable housing.

We have held two Community Energy Conferences. These saw a number of professionals and thought leaders within the sector come together to discuss a variety of topics around community energy. The conferences provide a fantastic opportunity to showcase our support for renewable, community-owned energy generation in the UK.

We have strengthened our support for community generators and increased our number of Power Purchase Agreements with community sites - 59 are now in place. These include hydro and solar schemes and community sites across the United Kingdom.

We launched a successful trial of our Community Power tariff, which featured 100% renewable electricity sourced from community generation sites and 15% green renewable gas. Following this, we are exploring ways to introduce this unique offer to the wider market as we look to bring communities and generators together through sustainable energy.



Healthcare

“Our digital business cooppharmacy.coop continues to grow providing a platform for offering NHS, pharmacy and online doctor services to our members.”

Community Pharmacy continues to operate in a challenging environment. Our dependency on the NHS to fund our activities means that we, and all others in the NHS, are subject to difficult financial constraints. We have taken this opportunity to reshape our business and drive efficiencies into all our operations.

To ensure we deliver the most value from our business, we have been focused on a key range of initiatives.

Every year we deliver 170,000 prescriptions free of charge to our patients. While this is great customer service, it costs a significant amount of money. We have identified, and are currently implementing, a digital solution to allow us to plan our delivery routes in the most cost effective way and to ensure an audit trail of deliveries.

Despite being a small part of our business, we are focusing on what health and wellbeing products and ranges we can introduce so we can be sure to offer our members the best selection.

We plan to introduce automated dispensing technology to improve efficiencies. We dispense 120,000 monitored dosage trays each year to help patients remember when to take their medication. By centralising our operations we can help our community branches to deliver more healthcare services.

Our digital business cooppharmacy.coop continues to grow providing a platform for offering NHS, pharmacy and online doctor services to our members.

In August we launched our Patient First initiative. This brings together all of our activity under the Product, People, Branches and Patient headings and ensures we are always focused on our members and customers. We have also introduced our Talk to Us service, an on line customer satisfaction survey to help shape our activity and strategy.

All of our eligible branches are registered as Healthy Living Pharmacies, which means we have to demonstrate we are proactively focusing on the health and wellbeing of our communities.

Our colleagues undertake a wide range of community healthcare initiatives and events, and all of our branches are accredited Dementia Friends.

To create a real difference for our members, pricing on our website is reduced by 10% once a member enters their membership number.



Funeral

“Funeral has continued its strong performance from 2017 into the first half of the year, arranging 3,834 funerals.”

Funeral has continued its strong performance from 2017 into the first half of the year, arranging 3,834 funerals. In addition, over 1,500 members and customers have chosen to pay for their funeral in advance through the purchase of a fully guaranteed funeral plan. The launch of member exclusive pricing on funeral plans has led to 79% of the funeral plans we sold in the first half of the year being purchased by members.

Following the publication of Fairer Finance’s research report “Is the pre-paid funeral planning market working well for consumers?” in 2017, our funeral plan products achieved 5 star and 4 star ratings earlier this year. Of all the funeral plans in the UK reviewed by Fairer Finance, only those offered by co-operative societies were rated 5 stars.

In June 2018, the Competition and Markets Authority launched a review into the UK funeral market. The market study is examining whether the information provided by funeral directors on prices and services is transparent enough for consumers to choose the best option for them. At the same time, HM Treasury launched a separate review into the pre-paid funeral plan market, following increasing calls by the funeral industry for regulation of the sale of funeral plans. We welcome these two industry reviews.

As part of our strategy to become a market leader in eco-friendly funeral services, we have introduced the UK’s first fully electric hearse into our ceremonial fleet. This innovative eco-friendly hearse and accompanying vehicle are now available for use by our members and clients in the Walsall community, and will be available in the Oxfordshire area later in 2018.

As part of our Sustainable Communities strategy, our funeral homes have carried out a number of fundraising initiatives in support of Cruse Bereavement Care. We also held our inaugural Kindred Association Dinner for Walsall and Wolverhampton attended by a number of local community representatives. The event showcased the Walsall and Wolverhampton Regional Communities and their charity partners, and the action taken by the Society to help young people. It also gave an insight into our Client First programme and how we have invested in community initiatives in the Walsall and Wolverhampton areas. In recognition, our Walsall Funeral team won the Walsall Mayor’s Community and Excellence Award for the strength of their local community support.



Childcare

“In the first half of the year we have seen a 4% increase in the number of nurseries judged as Outstanding by Ofsted bringing the total to 49%.”

We have made a strong start to the year with both sales and profits ahead of budget. A key part of this success can be attributed to the launch of our 'Midcounties Manager of the Future Programme'. This has seen the introduction of two out of three Management programmes: 'The Commercial Difference' in April and 'The People Difference' in June. These have delivered workshops relating to finance, sales and marketing, customer journey and effective recruitment, retention and colleague engagement strategies.

Improvements in our nurseries have been supported by a catalogue of training opportunities delivered through easily accessible webinars and mini Facebook live workshops together with a new eLearning platform which has seen colleague turnover drop by 10% so far this year.

We have put a programme in place to increase the size of our smaller nurseries, with works underway on our first two extensions at Swindon and Walsall Wood.

The Group has also developed a growth plan identifying cold start and acquisition development areas that focus on the clustering of our current nurseries and target towns with suitable demographics.

Our new Little Pioneers website is in the testing stage. We 'soft-launched' the website in mid-August to ensure it was live ahead of the key September intake period.

The re-brand to Little Pioneers is well underway. 8 nurseries have been completed with full internal refurbishments. Our re-brand focuses on our co-operative difference and 'Owned by You' model to reinforce our member offer and ambition to be referred to as a truly member-owned childcare business.

In August the Group launched a relationship with the food provenance organisation, Happerley. This sees us strengthen our co-operative difference as we tell children and parents where the food on their plate comes from, a first in the sector.

All 45 of our nurseries have intergenerational community programmes in place, connecting the oldest and youngest generations in their communities. This is a great initiative that has so many benefits, and is something of which we are very proud.



Flexible Benefits

“Flexible Benefits has had a good start to the year with sales and profits well above budget”

Flexible Benefits has had a good start to the year with sales and profits well above budget on account of the Government's decision to delay the closure of childcare vouchers to new entrants until October 2018. This has allowed us to sign up new businesses and parents to the existing Employer supported scheme for longer than anticipated.

During this period we have focused on raising awareness of childcare vouchers and educating parents to consider their options carefully. There are a wide range of childcare schemes, and the complexities can become overwhelming, making it difficult for parents to determine the best scheme for them.

We have also introduced a Rewards and Recognition scheme to complement the existing benefits portfolio. Many employers are keen on learning more about how they can reward their good performers and keep them within the business given the correlation between a healthy rewards scheme and a low employee turnover.

Our Payroll Giving Scheme, which allows employees to make donations to their chosen charities tax free, has continued to gain in popularity. As part of our co-operative difference and in line with our values, we offer the scheme free of charge, whereas other suppliers make a charge for this service.



Membership & Co-operative Social Responsibility

“We have developed 23 community partnerships to raise awareness of community energy, help alleviate fuel poverty and educate about energy saving.”

We have recruited over 46,000 new members, bringing our total membership base to 693,000. The popularity of our member app continues to grow. Over 13,500 members have downloaded the app and are using it to access their points and as a virtual membership card. We have also produced a “total member reward statement” online to provide members with a detailed display of their points and the other benefits available to them in their Society.

Across our Regional Community teams customers, colleagues and members have donated over 33,000 products to food banks, enough to feed over 600 families. We have also raised over £40,000 for our charity partners.

This year we launched our Sustainable Communities concept across all 20 Regional Community areas focusing on environmental sustainability issues and raising awareness of our Co-operative Energy products and services. We have engaged over 2,000 members in Sustainable Communities activities and developed 23 community partnerships to raise awareness of community energy, help alleviate fuel poverty and educate about energy saving.

We have also engaged with over 8,000 young people by delivering a range of initiatives including education and employability skills sessions, as well as delivering our Green Pioneers sustainability programme.

We have been working to reduce single use plastics across the Society, including a member engagement event at our Bourton food store and the delivery of over 700 plastic reduction pledges. We were pleased to promote Fairtrade Fortnight, offering deals on a range of Fairtrade lines and supporting the work of the Fairtrade Foundation. As part of the Fortnight, Ketra Kyosiimire, a coffee grower from Uganda, spoke to colleagues about the difference Fairtrade has made to her and thousands of other farmers in Uganda. Events were also held at schools throughout our trading locales.

Along with other co-operatives across the UK and around the world we supported Co-operatives Fortnight during June and July. Key highlights included 250,000 people reached by PR and social media raising awareness of our community activity. We also promoted the International Day of Co-operatives on 7 July by retweeting content from around the world. In addition, we have hosted co-operators from Japan, India and the Czech Republic.

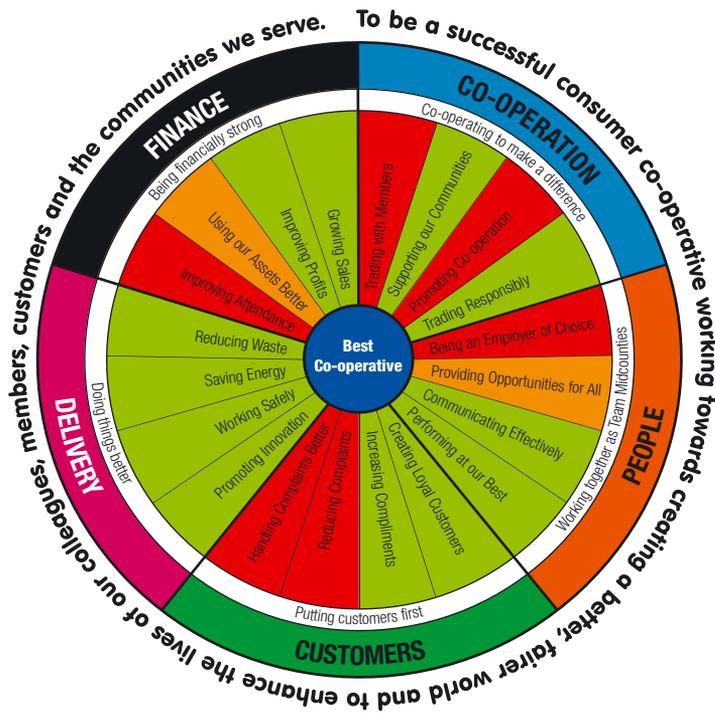
Our work in local communities has resulted in several awards including a 5 Star rating in Business in the Community's Responsibility Index and reaccreditation of the Community Mark. The Community Mark recognises businesses that have an integrated and strategic approach to community investment and which are making a measurable difference to communities through their programmes.

“In August Childcare launched a relationship with the food provenance organisation, Happerley. This sees us strengthen our co-operative difference as we tell children and parents where the food on their plate comes from, a first in the sector.”





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:
41.5% (last year 40.0%)

Supporting our communities

Hours volunteered in the community by colleagues: **16,300** (last year 16,400)

Promoting co-operation

Number of members involved in co-operative activity: **8,743**
 (last year 12,800)

Acting ethically

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

People

Being an employer of choice

Percentage of controllable colleague turnover as a moving annual total:

21.9% (last year 20.7%)

Providing opportunities for all

Percentage of colleagues who have achieved a Level 2 qualification or above:

85% (last year 75%)

Communicating effectively

Percentage attendance rate at

Colleague Council meetings: 91%

(last year 86%)

Performing at our best

Percentage of colleagues receiving annual performance reviews:

95% (last year 97%)

Customers

Creating loyal customers

Customer Loyalty Index: **83**

(last year 81)

Complaints

Number of customer complaints:

15,584 (last year 7,200)

Compliments

Number of customer compliments:

11,621 (last year 7,400)

Handling complaints better

Percentage of customers who agreed we responded well to their complaint:

67% (last year 76%)

Delivery

Promoting Innovation

Number of ideas implemented having a positive impact on another

Steering Wheel measure: 28

(last year 5)

Working safely

Number of accidents/incidents reported as a moving annual trend:

874 (last year 1,007)

Saving energy

Reduction in energy use compared to last year: **2.0%** (last year 2.8%)

Recycling

Percentage of waste recycled: **99%** (last year 96%)

Interim Income Statement

for the 26 weeks ended 28 July 2018

	Notes	26 weeks to 28 July 2018 (Unaudited)	26 weeks to 29 July 2017 (Unaudited)	52 weeks to 27 January 2018 (Audited)
		£000	£000	£000
Revenue	2	546,261	551,513	1,094,784
Cost of sales		(418,452)	(427,426)	(838,638)
Gross profit		127,809	124,087	256,146
Operating expenses		(125,119)	(118,702)	(242,825)
Operating profit before significant items		2,690	5,385	13,321
Significant items	3	769	618	(1,118)
Operating profit		3,459	6,003	12,203
Finance costs		(2,367)	(2,239)	(5,264)
Profit before payments to and on behalf of members		1,092	3,764	6,939
Payments to and on behalf of members		(1,968)	(2,639)	(2,639)
(Loss)/profit before tax		(876)	1,125	4,300
Income tax expense		(422)	(288)	(1,147)
Transfer (from)/to reserves		(1,298)	837	3,153

Consolidated Statement of Financial Position

as at 28 July 2018

	28 July 2018 (Unaudited) £'000	29 July 2017 (Unaudited) £'000	27 January 2018 (Audited) £'000
ASSETS			
Non-current assets			
Property, plant and equipment	198,249	202,447	200,080
Intangible assets	138,162	94,895	104,646
Investment property	16,624	12,432	16,108
Other investments	61,691	53,952	55,970
Deferred tax assets	3,444	4,363	3,806
Total non-current assets	418,170	368,089	380,610
Current assets			
Other investments	4,660	3,811	4,421
Other financial assets	-	3	-
Stocks	24,938	22,514	24,441
Trade and other receivables	209,851	173,641	219,481
Cash and cash equivalents	11,609	27,360	13,202
Current tax recoverable	297	1,667	438
Assets held for sale	1,633	3,398	2,994
Total current assets	252,988	232,394	264,977
TOTAL ASSETS	671,158	600,483	645,587
LIABILITIES			
Current liabilities			
Bank overdraft	15,105	-	14,372
Loans and borrowings	108	4,373	290
Trade and other payables	296,816	265,267	283,709
Provisions	11,126	4,601	1,290
Total current liabilities	323,155	274,241	299,661
Non-current liabilities			
Loans and borrowings	47,465	39,308	54,482
Other payables	60,541	54,902	57,723
Provisions	1,954	1,962	2,259
Pension obligations	46,504	57,209	48,549
Total non-current liabilities	156,464	153,381	163,013
TOTAL LIABILITIES	479,619	427,622	462,674
NET ASSETS	191,539	172,861	182,913
EQUITY			
Share capital	69,040	53,705	56,413
Other reserves	41,443	43,631	43,380
Retained earnings	81,056	75,525	83,120
TOTAL EQUITY	191,539	172,861	182,913

Consolidated Statement of Cash Flows

for the 26 weeks ended 28 July 2018

	26 weeks to 28 July 2018 (Unaudited) £'000	26 weeks to 29 July 2017 (Unaudited) £'000	52 weeks to 27 January 2018 (Audited) £'000
Cash flows from operating activities			
Cash flows from operating activities			
(Loss)/profit for the period	(1,298)	837	3,153
Adjustments for:			
Depreciation	5,439	4,937	10,195
Amortisation of intangible assets	2,223	1,820	3,438
Net gain on disposal of property, plant, equipment, investment properties and assets held for sale	(1,285)	(1,794)	(3,347)
Impairment of property, plant and equipment	-	-	478
Change in fair value of investment property	-	-	389
Change in fair value of trading property	-	-	1,055
Net finance expense	2,367	2,239	5,264
Payments to and on behalf of members	1,968	2,639	2,639
Income tax expense	422	288	1,147
Change in working capital	704	2,589	(38,596)
Income tax received	11	397	392
Net cash from operating activities	10,551	13,952	(13,793)
Cash flows from investing activities			
Interest received	58	18	134
Proceeds from sale of non-current assets	2,116	3,712	4,429
Purchase of non-current assets	(15,392)	(13,058)	(25,142)
Net cash used in investing activities	(13,218)	(9,328)	(20,579)
Cash flows from financing activities			
Proceeds from issue of share capital	10,514	4,812	11,412
Repayment of share capital	(4,714)	(4,690)	(8,913)
Proceeds from new loans	-	-	27,000
Loan arrangement fees	-	-	(541)
Interest paid on borrowings	(1,424)	(1,308)	(2,525)
Repayment of bank facilities	(6,950)	(16,125)	(31,250)
Repayment of finance lease liabilities	(249)	(347)	(743)
Prior year adjustments direct to reserves	2,389	-	-
Members' share of profits	1,003	-	-
Payments to and on behalf of members and share interest paid	(228)	(1,411)	(3,043)
Net cash used in financing activities	341	(19,069)	(8,603)
Net decrease in cash and cash equivalents	(2,326)	(14,445)	(42,975)
Cash and cash equivalents at start of period	(1,170)	41,805	41,805
Cash and cash equivalents at end of period	(3,496)	27,360	(1,170)

Notes to the Financial Statements

1. Accounting Policies

This interim financial report is for the 26 week period ended 28 July 2018. The information included within this document has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in issue that are endorsed by the European Commission (EU) and effective to 28 July 2018.

This financial information should be read in conjunction with the Society's Annual Report and Accounts for 2017-18, 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 2018-19 will be prepared in accordance with IFRS as adopted by the EU.

2. Revenue	2018	2018	2017	2017
	Gross sales £'000	Revenue £'000	Gross sales £'000	Revenue £'000
Food	299,614	270,919	287,394	260,338
Funeral	18,465	18,249	17,076	16,834
Healthcare	14,508	14,299	16,259	16,035
Travel	197,429	40,672	183,777	40,035
Childcare	17,342	17,308	16,305	16,277
Energy	190,608	180,319	210,203	198,200
Post Offices	1,384	1,374	1,399	1,388
Phone	1,751	1,747	-	-
Flexible benefits	12,957	619	13,026	611
Other	41	41	44	39
Share of profits distribution	(1,003)	(1,003)	-	-
Retail revenue	753,096	544,544	745,483	549,757
Property rentals	1,720	1,717	1,759	1,756
	754,816	546,261	747,242	551,513

3. Significant items

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

	26 weeks to 28 July 2018 (Unaudited)	26 weeks to 29 July 2017 (Unaudited)	52 weeks to 27 January 2018 (Audited)
Analysis of significant items:	£000	£000	£000
Net gain on disposal of property, plant, equipment, investment properties and assets held for sale	1,285	1,794	3,347
Change in fair value of trading properties	-	-	(1,055)
Change in fair value of investment properties	-	-	(389)
Expense of business acquisitions and disposals	(224)	(114)	(402)
Impairment of property, plant and equipment	-	-	(478)
Restructuring costs	(292)	(1,062)	(1,709)
Onerous lease	-	-	(432)
	769	618	(1,118)

4. Non-GAAP Interim Income Statement

for the 26 weeks ended 28 July 2018

Notes	26 weeks to 28 July 2018 (Unaudited)	26 weeks to 29 July 2017 (Unaudited)	52 weeks to 27 January 2018 (Audited)
	£000	£000	£000
Revenue	547,264*	551,513	1,094,784
Cost of sales	(418,452)	(427,426)	(838,638)
Gross profit	128,812	124,087	256,146
Operating expenses	(125,119)	(118,702)	(242,825)
Operating profit before significant items	3,693	5,385	13,321
Significant items	769	618	(1,118)
Operating profit	4,462	6,003	12,203
Finance costs	(2,367)	(2,239)	(5,264)
Profit before payments to and on behalf of members	2,095	3,764	6,939
Payments to and on behalf of members	(2,971)*	(2,466)	(3,133)
Profit before tax	(876)	1,298	3,806
Income tax expense	(422)	(288)	(1,147)
Transfer to reserves	(1,298)	1,010	2,659

* Adjusted for share of profits distribution, including prior periods to enable better comparison (notes 2 & 6).

5. Flow Energy

The financial statements include provisional values for Flow Energy which was acquired on 1 May 2018. These are subject to final review and evaluation which will be included in the full year report and accounts.

6. The effect of the implementation of new accounting standards IFRS 15 and IFRS 9

The opening reserves have been reduced by £1,334,000 and £322,000 respectively in respect of the treatment of members, share of profits and the deferral of travel revenue to the point of departure as at 27 January 2018 re IFRS 15.

Regarding IFRS 9 – Financial Instruments, the opening reserves have been reduced by £733,000 in respect of the increase in the bad debt provision due to an earlier recognition of potential impairment.

If the current half year's results were to be restated on the same basis as previously reported the effect would be to increase revenue by £1,003,000 and £357,000 respectively for the changes affecting members share of profits and the travel revenue.

Profit would have increased by £1,003,000 and £41,000. There was no material change in the period following the adoption of IFRS 9 – Financial Instruments.

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