



The Midcounties Co-operative

2023/24 Half Year Report

your
COOP

Doing good together

Who we are, what we do

The Midcounties Co-operative is a thriving co-operative with businesses in Food, Travel, Childcare, Energy, Telecoms, Post Offices and Flexible Benefits. The profits we make allow us to support the communities we serve.

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.

Our purpose
Through the power of co-operation, we're building a fairer, more sustainable, and ethical future.



Society highlights

30.1%
member trade
up from 24.6% last year



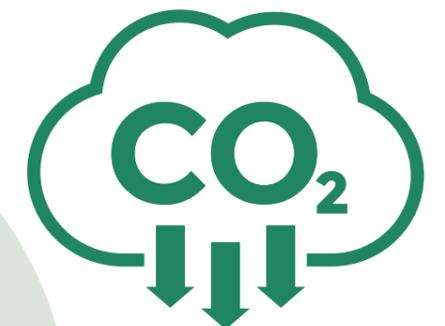
33,000
new app users
bringing the total to 164k

44,523
new members joined
almost 2x more than in the first half of 2019 (pre-Covid)



£67,300
distributed in grants
to 143 community groups

12%
reduction in energy use
saving 500 tonnes of CO₂e



President's introduction



We remain focused on the delivery of quality through our trading operation while planning for the future through investment in new sites in both Food and Childcare and new technology in Travel

Helen Wiseman

Welcome to the Society's report for the half year ending July 2023.

Against the backdrop of continuing challenging trading conditions, it is pleasing to note the performance of the Society in the first half year. There is little sign that the external environment will improve in the short term, so we remain focused on the delivery of quality through our trading operation while planning for the future through investment in new sites in both Food and Childcare and new technology in Travel to enhance the customer journey.

As always, the review of the first half year gives me the opportunity to reflect upon the Society AGM held in May.

This year we approached the AGM in a novel way, incorporating the formal and important business of the AGM within a wider celebration: the Fairer Living Festival. Our keynote speaker Ben Fogle spoke passionately about his approach to sustainable living and members took the opportunity to engage with directors and senior management through the formal Q & A session and throughout the day. We were blessed with good weather, a bonus for our farmers market which celebrated the amazing range of local producers we work with. Our community partners also joined us to showcase their activities and demonstrate the importance of their relationship with Midcounties.

At the AGM, I had the privilege to formally introduce our refreshed Society purpose, which you'll find on page 2 of this report. The ongoing challenge for the Board of Directors, senior leadership and all our

colleagues is to bring that purpose and vision to life in the day to day. We need to reflect the purpose in our decision making, operational activities and Steering Wheel measures through which we assess our progress.

Our Chief Executive Phil Ponsonby announced a formal review of the Share of the Profits scheme at the AGM. We know from our research that individual members want to receive great value from their membership and our member pricing programme is helping us to deliver that. But we also know that our members want to work with us to deliver for our communities and we believe we have a real opportunity to do that by taking a new approach to how we distribute our Share of the Profits. I am excited to see this launch in the second half of the year to really elevate our community engagement.

Members will have read the news headlines highlighting the continuing increase in the amount of retail crime and the impact this has on our colleagues. As well as significant investment in measures to make our stores safer, we are campaigning nationally and locally on this important issue to ensure it is given the prominence it deserves.

It was with sadness that we note the passing of our former director Clive Booker in May of this year after a short illness. Clive had served the Society as a member of the MEC and more recently as a director for six years, standing down in October last year. Directors and colleagues joined in a recent celebration of Clive's life with his family and friends.

And finally, I would like to express my sincere thanks to my fellow directors for their continued support and unwavering commitment to co-operation, to the Chief Executive and his leadership team who deliver on that commitment, and to all our tremendous colleagues who are the face of our Society, serving our members and customers.

Helen Wiseman
President

Group Chief Executive's overview



The Board and Executive Team continue to look for ways to help members and colleagues live well during the persistent cost of living crisis, including introducing stronger member deals and increased member discounts.

Phil Ponsonby

It is my pleasure to update members on the Society's position at the half-year point.

Inflation and high interest rates continue to provide a challenging trading backdrop, with wholesale prices high and consumer spending constrained. We have started to see inflation come down over the last few months, but the impact of this has been minimal so far. Energy prices are dropping gradually too, which is reassuring for both businesses and consumers, but they remain high.

The Board and Executive Team continue to look for ways to help members and colleagues live well during the persistent cost of living crisis, including introducing stronger member deals and increased member discounts. I've been really pleased to see the success of the member discount days we held in February and June, as well as how many new members we're recruiting as a result of offering a member-only price on the lunchtime meal deal. Driving member trade is a key focus for the Society and it now accounts for over 30% of total sales. We have also welcomed over 44,000 new members during the first half of the year.

The Society delivered gross sales of £773.2m in the first half of 2023/24, an increase of 14.2% over the same period last year. As a result of this and a strong performance from the Travel division, revenue increased by 16.7% to £426.1m. Gross profit rose to £110.6m, a £4.5m increase compared with last year representing a 4.3% improvement.

Operating profit (before significant items) was £3.7m. While this represents a slight reduction of £0.5m when compared to the first half of last year, it should be noted that the 2022/23 result included a one-off benefit from lottery grants in Childcare, worth £0.7m. Excluding this,

the performance on an underlying basis saw an increase of £0.2m. These results are testament to the hard work of all our colleagues.

We have invested significant capital into new sites, new systems and carbon reduction technologies. As such, we have increased net debt to £37.0m versus £31.2m last year. These investments are already showing positive results, both in terms of improvements in financial performance and impact on energy reduction.

Our Food business has performed well in the first half year with like-for-like sales growth of 7.0%. We have opened three new stores this year and also exited three stores that no longer fit our business model, freeing up resources to invest in our Convenience and Food Markets models.

Since the beginning of the year, like most other retailers, we have seen a concerning increase in the amount of retail crime. To make our stores safer, we have invested over £1.6m in safety devices, security monitoring and preventative measures across our network since we launched this project last year. I am also discussing what can be done to tackle this issue with senior local law enforcement representatives and our trade union USDAW.

Our Travel business has also had a very strong start to the year, with gross sales up 26% on last year and 85% higher than the first half of 2019 (pre-Covid). The growth of our consortium has played a considerable part in this increase.

Looking to the future of Travel, we've continued to diversify our Co-op Holidays offer, expanding the number of destinations and packages available. We're also investing in a new website to give customers an even smoother booking experience.

The Childcare business has had a positive start to the year, with year-on-year gross sales up by 6.8% and occupancy increasing from 70.6% to 73.5%. New developments at Wolverhampton and Warwick are planned to open in the second half of the year.

Our Utilities group has been focusing on sustainability by promoting climate positive broadband and ethically-made Fairphone products, including the launch of Fairbuds XL headphones in May. To support members, the team has also been working closely with our suppliers to keep prices down.

This year's AGM and accompanying Fairer Living Festival was a particular highlight for me. We welcomed over 1,300 members to the event, where we were able to showcase our fantastic businesses, our local suppliers and create a fun and inviting environment for members to enjoy.

I am delighted that we have been recognised for our work on cutting carbon emissions at the edie Awards, where we received the Energy Project of the Year commendation for the steps our colleagues have taken on energy efficiency. For instance, we have cut energy use by 12% compared with this time last year, saving over 500 tonnes of CO₂e,

Group Chief Executive's overview

thanks to new lighting and refrigeration installations and colleague actions.

We are pleased to have been invited to share our experiences of cutting carbon emissions and our community involvement with other co-ops across the world. Our Community Renewables Manager Connie Muir took part in a climate change workshop at the Co-ops Europe General Assembly, sharing best practice on limiting emissions and community energy. Chief Values Officer Pete Westall was also invited to give a presentation at the OCB¹ President's Forum in Brazil to explain how we ensure that the environment and community are at the heart of everything we do as a Society.

To bring about further change, we are lobbying on issues that are important to us and our members. These have ranged from tackling modern slavery to food justice. We attended a Co-operative Party forum in the House of Commons to discuss with a number of MPs elements from the Co-op Party 'Steps to Success' report on education. We asked those present to support our submission to the Migration Advisory Committee detailing why Senior Early Years Practitioners should be added to the Shortage Occupation List to help with immediate recruitment issues in the sector.

For the rest of the financial year, we will be focusing on embedding the new membership initiatives we have launched this year and giving members every reason to shop with us and use our services. As the colder months roll in, there will once again be added pressure on members' spending and our own business operations as energy bills increase. We will continue to prioritise providing great value for our members on everyday essentials, as well as helping those in our communities who need it most.

We have some exciting plans that will mean even more of our profits going back to local communities and giving members more say in how they are deployed, doing good together every time a member shops with us, books a holiday, makes a call, or puts their children in to one of our nurseries. This new programme will launch in May 2024.

I look forward to reporting to members again with our full year results at next year's AGM.



Phil Ponsonby
Group Chief Executive

Doing good together

Financial highlights

Gross sales from continuing operations

£773.2m

2022/23: £677.0m



Revenue from continuing operations

£426.1m

2022/23: £365.0m



EBITDA

(Earnings before interest, taxes, depreciation and amortisation excluding significant items)

£14.5m

2022/23: £14.6m



Operating profit

Before significant items

£3.7m

2022/23: £4.3m



Net debt

£37.0m

2022/23: £31.2m



Food

Gross Sales

£341.7m

2022/23: £327.3m

Revenue

£305.3m

2022/23: £292.9m



Post Office

Gross Sales

£1.5m

2022/23: £1.6m

Revenue

£1.5m

2022/23: £1.6m



Travel

Gross Sales

£399.9m

2022/23: £317.3m

Revenue

£91.7m

2022/23: £43.2m



Childcare

Gross Sales

£22.5m

2022/23: £21.0m

Revenue

£22.3m

2022/23: £20.9m



Utilities

Gross Sales

£6.9m

2022/23: £8.3m

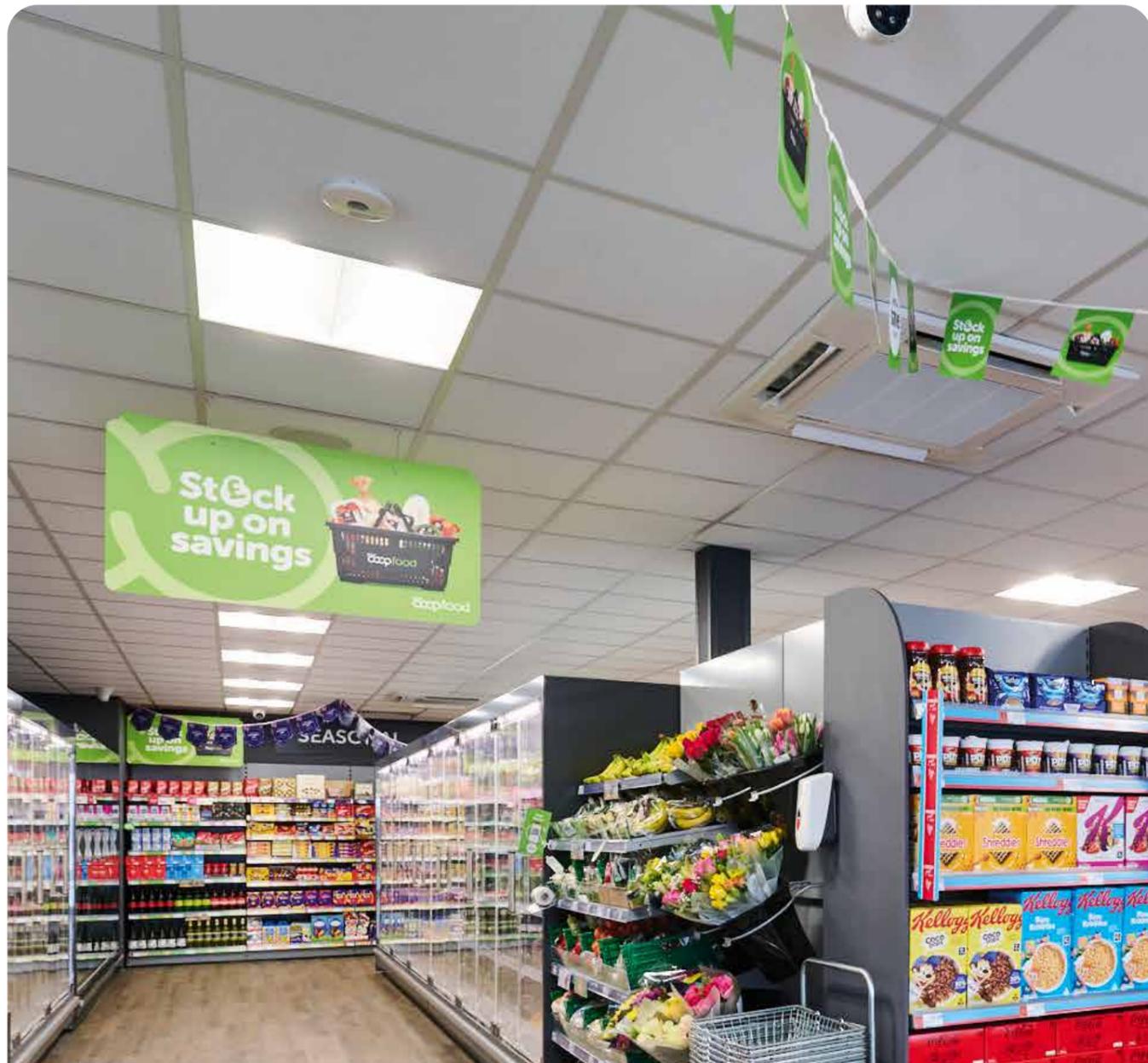
Revenue

£4.5m

2022/23: £5.0m



¹ The Organisation of Brazilian Co-operatives



Member value

We work closely with our members to understand their priorities and reflect these in what we do. Members have told us they want to get more value from their membership, so let's start by looking at this.

44,523
new members
joined
almost 2x more than
in the first half of
2019 (pre-Covid)

30.1%
trade with members
up from 24.6%
last year

77%
of members who
shopped in Food
used a member
offer

33,000
members joined
the app
bringing the total
to 164k



Fresh member offers

As well as our ongoing member-only offers, we introduced new member deals in Food every three weeks and regularly updated our Holiday Hero deals in Travel. To help make the essentials a little more affordable for our members, in June we launched a member-only price on milk.

**10%
OFF**

Member discount days

In February and June, we ran member discount days in selected stores where members got 10% off their shopping. These boosted on-the-day member trade by at least 6 percentage points..

Lunchtime deals

In May, we introduced a member-only discount on our lunchtime meal deal, giving our lunchtime customers a great incentive to become members. Member sign ups increased by around 600 a week as a result.



Fairer Living Festival

To provide even more for our members, we ran our first ever Fairer Living Festival with live music, local suppliers and family entertainment, alongside our AGM. In total, the event welcomed over 1,300 people, with 449 taking part in the AGM itself and 56 joining online.

Driving membership

We have continued to develop our member app to improve the user experience and encourage colleagues to ask customers for their membership cards more consistently.



Forget Me Not Bicester - a local charity supported by Midcounties

Member impact

Our members have told us they want to understand how the money they spend with us is used to help their communities and local charities. This section lays out some of the local and global benefits our members are helping to create.

Lobbying for change

We have continued working with the Co-operative Party to lobby the government on issues that matter to us, including making childcare more widely accessible, supporting community energy initiatives, improving the business landscape for co-ops and tackling retail crime.

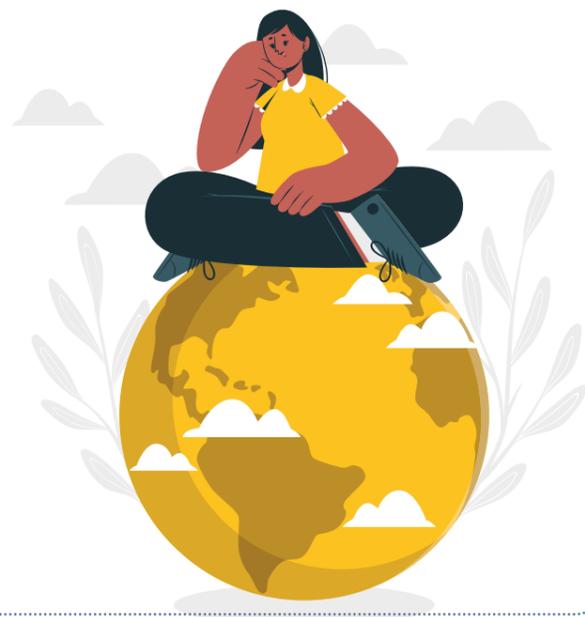


Welcoming new fundraising partners

We continue to provide community grants and volunteering support, and refreshed our Regional Communities activities in June, introducing 12 new fundraising partners chosen by our members.

Supporting co-operation across the world

To share best practice with co-operatives across the world, our Community Renewables Manager Connie Muir sat on the climate change panel at the Co-ops Europe General Assembly in Oslo and our Chief Values Officer Pete Westall gave a presentation at the Organization of Brazilian Cooperatives President's Forum in Brazil.



£67,300
distributed
to 143 groups
in grants

42
defibrillators
now installed
across our estate

9,973
volunteering hours
donated by colleagues

50,000
food items saved
from landfill with
Too Good To Go

Creating Fairer Futures

Our Fairer Futures Programme, created in conjunction with local supplier Miss Macaroon, launched in April. The programme creates training opportunities for young people facing employability challenges to help them find permanent employment.

A collaboration between

your
coop

**Miss
Macaroon**
BAKING A BRIGHTER FUTURE

Develop fresh confidence

Mentoring the next
generation of retailers

The Fairer Futures
Programme



edie

edie Award winners

We were delighted to receive the edie Energy Project of the Year award in March for the work colleagues have done to improve energy efficiency across the Society.

Our new Your
Co-op store at
Bishop's Cleeve in
Gloucestershire



Member investment

As well as giving back to members and supporting our communities, we also invest a percentage of our profits back into our businesses. On the following pages are some of the ways we have used our profits to help improve what we do.

Cutting energy use

We've continued to install energy-efficient lighting and refrigeration at Food stores. This, along with encouraging colleagues to adopt energy-saving behaviours, has helped us cut energy use by 12%.

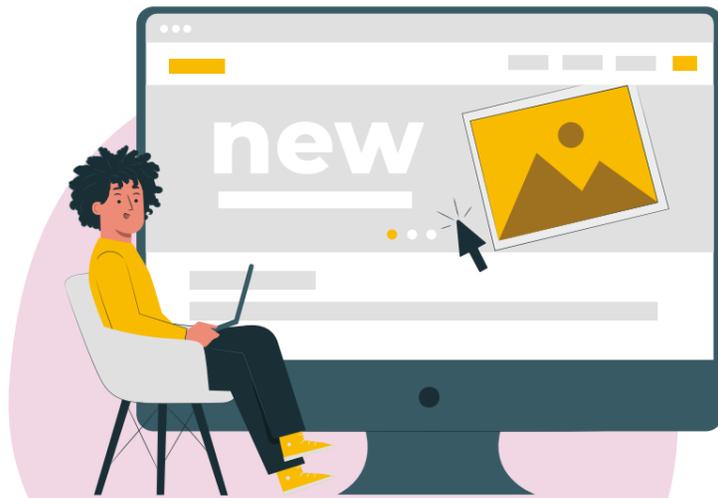


Investment for Childcare

We have invested over £1.7 million in a new nursery at Lanesfield in Wolverhampton and refits at our nurseries at Maida Vale and Reading. Work is also underway on our new nursery at our head office in Warwick.

Co-op Holidays growth

We have continued to invest in our Co-op Holidays tour operator offer, expanding the number of destinations and packages available. We are also building a new website, due to launch in the autumn.



12%
reduction in
energy use
compared with
last year

**Over
£900,000**
saved in electricity costs
and 500 tonnes of CO₂e

3
new food stores
opened

£7.9
million invested
across our estate
this year

New store openings

Food has opened three new sites so far this year – at Brize Norton in Oxfordshire, Droitwich in Worcestershire and Bishop's Cleeve in Gloucestershire. We also sold three stores that no longer fitted our business model.



Better value utilities

Our Utilities team is working closely with suppliers to try to keep prices down for members.



Colleagues

Our colleagues are vital in helping us deliver an outstanding service for members and our local communities. Here are just a few of the ways we've supported their well-being and development this year.

314
colleagues
enrolled in
Wagestream

35
colleagues
joined the Food
Retail LEAP
scheme

Achieved
**Disability
Confident
Employer
Level 2**
status

Pulse survey
responses
exceeded 50%
for the first time

Financial well-being

To give colleagues greater control over their finances we introduced Wagestream in August. The app allows colleagues to budget, access flexible pay and create savings pots. We also relaunched The School Essentials Grant from GroceryAid to help cover the cost of school uniform and stationery.



Quiet Space



This room is a multi-purpose quiet space, available to be used by colleagues. Example uses could be First Aid, Prayer, Meditation, or simply just some Quiet Time.

Diversity and inclusion

To increase inclusivity, we have introduced a 'quiet space' for prayer and meditation at our head office. Following the success of our first reverse mentoring programme, where colleagues raise ethnicity-based challenges they face to senior managers, we have just launched our second round and are looking to introduce disability reverse mentoring.

Colleague development

We recently relaunched our LEAP training programme in Food Retail and received 35 applications. In Childcare, it's been good to see an increase in the percentage of applicants accepted onto the LEAP Level 2 Early Years Practitioner apprenticeship and LEAP Level 3 Early Years Educator apprenticeship this year.



Enhanced colleague discount

To help colleague members weather the cost of living crisis, we have retained our enhanced colleague discount across our trading groups.

Consolidated Statement of Comprehensive Income

For the period ended 29 July 2023

	Note	26 weeks to 29 July 2023 (Unaudited)	26 weeks to 23 July 2022 (Unaudited)	53 weeks to 28 January 2023 (Audited)
		£'000	£'000	£'000
Revenue	2	426,104	364,991	802,891
Cost of sales		(315,500)	(258,931)	(588,744)
Gross profit		110,604	106,060	214,147
Operating income		155	170	378
Operating expenses		(107,085)	(101,937)	(210,340)
Operating profit before significant items		3,674	4,293	4,185
Significant items	3	(1,837)	5,518	2,985
Operating profit		1,837	9,811	7,170
Finance costs		(5,229)	(4,182)	(10,077)
(Loss) / Profit before payments to and on behalf of members		(3,392)	5,629	(2,907)
Payments to and on behalf of members		(1,921)	(1,498)	(1,961)
(Loss) / Profit before tax		(5,313)	4,131	(4,868)
Income tax credit / (charge)		638	(823)	2,594
(Loss) / Profit for the period from continuing operations		(4,675)	3,308	(2,274)
Loss from discontinued operations	4	-	(422)	(2,451)
(Loss) / Profit for the period		(4,675)	2,886	(4,725)

Consolidated Statement of Financial Position

As at 29 July 2023

	26 weeks to 29 July 2023 (Unaudited)	26 weeks to 23 July 2022 (Unaudited)	53 weeks to 28 January 2023 (Audited)
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	158,141	150,857	158,849
Intangible assets	72,947	71,735	71,426
Investment property	12,643	12,834	12,643
Right of use assets	100,399	108,392	99,332
Other investments	4,359	3,763	4,509
Other debtors	1,243	4,766	1,233
Deferred tax assets	9,931	12,081	9,095
Total non-current assets	359,663	364,428	357,087
Current assets			
Stocks	27,906	24,492	28,585
Trade and other receivables	69,108	92,470	75,502
Cash and cash equivalents	14,005	12,684	15,669
Assets held for sale	11,737	13,028	12,240
Total current assets	122,756	142,674	131,996
TOTAL ASSETS	482,419	507,102	489,083
LIABILITIES			
Current liabilities			
Loans and borrowings	5,972	6,436	52,326
Trade and other payables	190,808	198,288	187,296
Lease liabilities	8,341	7,619	10,294
Liabilities held for sale	14	-	723
Total current liabilities	205,135	212,343	250,639
Non-current liabilities			
Loans and borrowings	44,989	37,479	-
Other payables	885	909	170
Lease liabilities	100,278	109,865	98,285
Provisions	3,871	756	3,034
Pension obligations	14,970	31,956	16,937
Total non current liabilities	164,993	180,965	118,426
TOTAL LIABILITIES	370,128	393,308	369,065
NET ASSETS	112,291	113,794	120,018
EQUITY			
Share capital	80,574	85,567	82,796
Other reserves	45,899	38,890	46,153
Retained earnings	(14,182)	(10,663)	(8,931)
TOTAL EQUITY	112,291	113,794	120,018

Notes to the Financial Statements

1. Accounting Policies

The Midcounties Co-operative Limited is a Co-operative Society domiciled in the United Kingdom. The Group interim financial statements for the 26 week period ended 29 July 2023 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Co-operative and Community Society Act 2014.

This financial information should be read in conjunction with the Society's Annual Report and Accounts for 2022-23, which were prepared in accordance with International Accounting Standards in conformity with the requirements of the Co-operative and Community Society Act 2014, and has been prepared using the accounting policies set out in that report.

The Society's Financial Statements for 2023-24 will be prepared in accordance with International Accounting Standards in conformity with the requirements of the Co-operative and Community Society Act 2014.

2. Revenue

	26 weeks to 29 July 2023 (Unaudited)	26 weeks to 29 July 2023 (Unaudited)	26 weeks to 23 July 2022 (Unaudited)	26 weeks to 23 July 2022 (Unaudited)
	Gross sales £'000	Revenue £'000	Gross sales £'000	Revenue £'000
Food	341,673	305,346	327,318	292,897
Travel	399,867	91,700	317,341	43,203
Childcare	22,477	22,310	21,041	20,927
Post Offices	1,478	1,467	1,580	1,567
Utilities	6,941	4,548	8,307	5,032
Other	16	16	798	794
Property rentals	1,580	1,568	1,365	1,356
	774,032	426,955	677,750	365,776
Members share of profits	(851)	(851)	(785)	(785)
Revenue from continuing operations	773,181	426,104	676,965	364,991
Discontinued operations	-	-	429	407

3. Significant Items

Significant items are non-underlying items of income and expenditure that are one-off in nature, of significant magnitude and/or their volatility would otherwise distort the underlying financial performance of the Society.

Analysis of significant items:

Items included within operating expenses:

	26 weeks to 29 July 2023 (Unaudited)	26 weeks to 23 July 2022 (Unaudited)	53 weeks to 28 January 2023 (Audited)
	£000	£000	£000
Net gain/(loss) on disposal of property, plant, equipment and other investments	(1,038)	(390)	3,171
Change in fair value of trading properties	-	-	(3,342)
Change in fair value of investment properties	-	-	636
Reorganisation costs	-	(1,290)	(2,257)
Right of use asset impairment	-	-	(58)
Distribution centre pre-opening costs	-	(649)	(1,194)
Refinancing	(303)	-	(1,427)
Closure costs relating to Queen's funeral	-	-	(391)
Release of obligation fulfilment provision*	-	7,847	7,847
Historic employment costs	(117)	-	-
Costs of change to supplier contract	(379)	-	-
Significant items	(1,837)	5,518	2,985

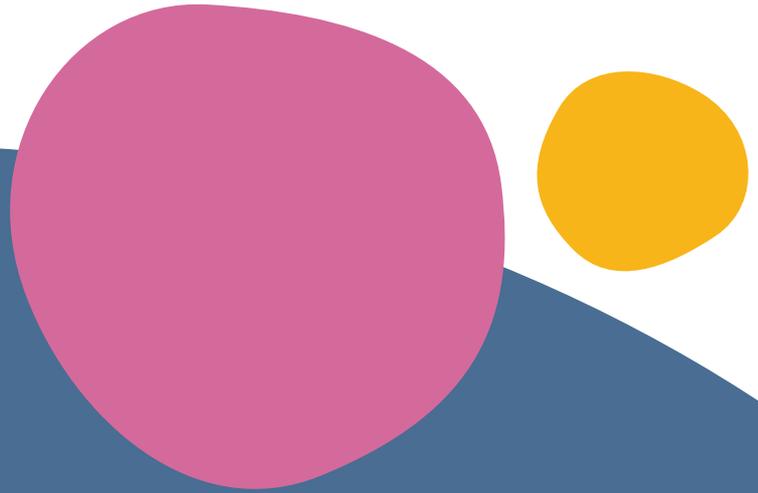
*Agreements have been reached with trade creditors over fulfilling performance obligations that related to obligations due whilst the energy business was trading. Included in trade creditors at 22 January 2022 were provisions which were the expected costs to complete the performance obligations. Agreements have been made to settle these performance obligations in full and this has resulted in an over provision of £7.847m.

4. Discontinued operations

On 28 January 2023 the Society agreed to cease the trading of its Healthcare division. The cessation of trade did not result in a sale of the division and therefore no consideration was received. All assets were wound up on discontinuation.



Doing good together



The Midcounties Co-operative Limited

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Registered under the Co-operative and Community Benefit Societies Act 2014
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