

2021/22 Half Year Report

For The Midcounties Co-operative
26 weeks ended 24 July 2021



Society highlights

We launched a green broadband offering where each month for every new customer, we'll be offsetting 50kg of carbon through verified climate positive contribution projects

We have opened six new food stores across Northamptonshire, Gloucestershire, the West Midlands and Worcestershire

Our first purpose-built Little Pioneers nursery will open in Cheltenham this autumn

Travel has launched a partnership with children's charity, Go Beyond

Healthcare's low-price PCR kits have proved popular with holiday makers

We scored 79% in Business in the Community's Responsible Business Tracker – the highest score in our cohort

Front cover shows Little Pioneer Charlie and colleagues helping to dig the foundations of our new Little Pioneers nursery in Bristol

Who we are

About us

The Midcounties Co-operative operates 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

To ensure 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:



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



"We arranged a series of Your Co-op Conversations, engaging with our members on a wide range of topics. I was struck by the interaction from our members, the willingness to share views and give feedback."

Helen Wiseman

It is hard to imagine that it is 18 months since the start of the pandemic, which has changed the global landscape so much, and that I am still writing about its impact on our lives and the disruption to our business operations. However, it is against this continuing uncertain backdrop that I review the first half of the year.

Lockdown, restrictions and the impact of Covid infection rates have made this an incredibly demanding period in which to manage our operations and still maintain our services, especially to the most vulnerable members of our communities. I would like to pay tribute to all our colleagues for their efforts in the face of the unremitting pressures and the way they have continued to support members, our communities and each other throughout this period. Our half year results reflect the immense contribution

they have made, and from regular feedback I know it is appreciated by our members.

It is always difficult to comment on one group of colleagues, but I would like to take this opportunity to mention our colleagues in Travel. The Travel team love what they do. Their job satisfaction comes from helping people to go away on holiday, spending valuable time with their family and friends, exploring new places or relaxing in familiar ones. The reality throughout the pandemic has been very different as the travel industry has faced unprecedented and ongoing upheaval. I am so impressed with the way our colleagues have maintained their professionalism and enthusiasm in the face of that adversity and responded to support colleagues in other groups.

As a Board we have worked closely with the Executive on the strategic challenges and continued to focus on future stability and opportunities to strengthen and grow our core business and co-operative services to members.

It was in the context of our strategy that we made the decision during the half year to transfer the majority of our funeral business to Central England Co-operative. Your Board was committed to maintaining a co-operative funeral service to our members and had been pursuing a positive strategic outcome for some time in the face of anticipated market changes. We believe it to be in the long-term interest of our members, clients and colleagues to seek this transfer and we await the outcome of the Competition and Markets Authority's considerations. I would like to note our gratitude to the funeral team led by Mark Adams for their professionalism, patience and understanding throughout this process.

Alongside our online AGM in May, we arranged a series of Your Co-op

Conversations, engaging with our members on a wide range of topics. I was struck by the interaction from our members, the willingness to share views and give feedback, both positive and negative, and also the genuine sense of ownership and engagement that membership can bring. Building on these Your Co-op Conversations and as part of our strategic planning, I know our members will be delighted with the five-year sustainability plans we are developing. Many of you took part in our recent workshops designed to help us shape these ambitious plans in line with member views; a real example of co-operative ownership in action.

We continue to invest in our core business areas and I had the pleasure of visiting some of our six new food stores opened during the half year, meeting colleagues old and new who are proud to serve their communities. I am sure members who have visited the new stores will share my enthusiasm for them. I very much look forward to the launch of our new Childcare nurseries in the second half year as we maintain our focus on sustainable long-term growth.

My thanks go to my Board colleagues who continue to work hard on behalf of members, to the Executive and Leadership teams who have steered the business through this taxing time and all our colleagues for their hard work and commitment to our communities.



Helen Wiseman
President

Chief Executive's review



"I am really pleased to report that we have continued to deliver toward the Board's longer-term objectives by investing in growth, developing new partnerships and supporting our communities."

Phil Ponsonby

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

As individuals, we have all continued to be affected by the unprecedented upheaval to our lives caused by the worldwide Covid-19 pandemic. As I am sure members would understand, the Society has had to continually manage the disruptive impacts to its business operations and uncertainty to business planning brought about by restrictions on movements and other Government interventions, in addition to sickness and absences across our own colleague base and partner organisations. I am extremely proud of the unwavering commitment made by my fellow colleagues in continuing to provide the highest level of support for you, our members, our customers, our communities and for each other.

We have seen gross sales for the first six months at £434m, which is 7% lower than last year. This reduction is due to the significant sales achieved across our food stores in the first half of last year during the first lockdown, which resulted in customers stockpiling food.

Total sales comparisons are also affected by the sale of the pharmacies, which were still operating in the first half of last year. Operating profit before significant items is £5.4m against £7.1m last year, but after significant items is an increase on last year at £4.7m compared to £3.7m. While the food year-on-year position has worsened due to the aforementioned one-off sales last year, it is pleasing to note that we have seen profitability improvements to our Childcare, Travel, Healthcare and Post Office operations, while our Funeral services and Utilities businesses are slightly negative to last year.

The disruption to our operations and business planning has put significant pressure on our management teams and therefore, I am really pleased to report that we have continued to deliver toward the Board's longer-term objectives by investing in growth, developing new partnerships and supporting our communities. We have opened six new food stores and commenced the construction of two 'new generation' Little Pioneers nurseries, which will open during the second half of the year. We have continued the investment in technologies providing new equipment to food stores and improving our online operations within Travel, Utilities and Healthcare. Work has continued in the development of a new communications platform for our members, which will be introduced later this year. We have developed partnerships and formed new working groups to support our colleagues with the introduction of the 'Everymind at work' app to support mental health. We have formed working groups to support colleagues from ethnic minorities and LGBTQIA+ groups in developing their careers and improving working environments. We also continue to support our communities, having now made over 130,000 home deliveries of food to more vulnerable members and supplied 10,000 meals to vulnerable children in the West Midlands. We have partnered with the charity 'Go Beyond' through our Travel business to help support deprived children to experience holidays.

These are just some of the many examples of work which has seen us recognised by Business in the Community (BITC), where we were the highest rated organisation out of the 20 similar type businesses rated on their responsibility tracker.

Further recognition for the work of our colleagues has included: Top 20 Recommended nursery chain by DayNurseries.co.uk for the sixth year running, being shortlisted for awards by both The Grocer and Retail Week media for work by our food teams in their communities, rated as Green by consumer champion Which? for our Covid travel booking policies, and The Phone Co-op rated by Feefo as a Gold Service Provider for the second year running. It was a tremendous boost for the Society when our Chief Values Officer, Pete Westall was named Co-operator of the year by Co-operatives UK for his work on behalf of the Society in supporting the co-operative movement both in the UK and internationally.

I hope members agree that while we continue to face unprecedented and difficult operational challenges, we have kept our values at the heart of what we do in our day to day.

In June, our Board jointly announced an agreement to transfer the majority of our Funeral homes into Central England Co-operative's operations. The proposed transaction is subject to approval by the Competition and Markets Authority.

While as mentioned previously, we have made significant strategic investments in our core businesses in recent months, with planned new openings in Food Retail and Childcare, the Board has been considering for some time the best way to ensure a strong and sustainable co-operative offering for our Funeralcare clients. Central England Co-operative operates a Funeralcare offering twice the size of our own operation and if this transfer is approved, our Board feel it will result in greater investment and focus for our homes and significant

support for our colleagues to take the business forward.

Crucially, Central England Co-operative shares our co-operative values and, like us, puts its members and colleagues at the heart of what it does. Therefore, it was clear that this agreement would represent the best outcome for our members, clients, and colleagues.

We are enormously proud and thankful for the commitment of our Funeralcare colleagues, particularly during the last year when they have shown remarkable strength and versatility to support the bereaved in such challenging times.

Looking ahead, while the levels of Government interventions are being relaxed across several areas, the prevalence of confusion and uncertainty for consumers continues to damage confidence, particularly impacting our travel operations. We are hopeful that industry pressure will result in the UK Government implementing protocols consistent with most other European nations, which would undoubtedly serve to improve consumer confidence.

We are also feeling some of the longer-term effects of restrictions and, most probably, Brexit with labour shortages in logistics and frontline services such as Food Retail and Childcare. While these operational challenges and cost pressures will remain with us for some time ahead, I am confident in the abilities of our teams to meet them with the resilience and professionalism demonstrated throughout the last year and a half. Furthermore, the clarity with which the Board is directing the Society for the longer term will continue to ensure the right strategic decisions are made in strengthening our financial position and creating long-lasting assets for our members.



Phil Ponsonby
Group Chief Executive



Food Retail & Post Offices

“We have continued to invest in the Food business, opening six new stores in the first half of the year”

Food Retail's sales have stayed in line with budget, with gross sales for the Group at £329 million, up 2.6% based on a two-year compound annual growth rate. Our focus during the first half of the year has been on continuing to ensure both our customers and colleagues are kept safe, with social distancing measures and PPE provision in place.

Post Offices have performed well, despite the lack of travel money going through branches. Commission has increased as we have been able to remain open while other Post Office branches have been closed and there has been a marked rise in online shopping, leading to many more parcels being posted.

We have continued to invest in the Food business, opening six new stores in the first half of the year in Northamptonshire, Gloucestershire, the West Midlands and Worcestershire. The stores have been built to the latest environmental specifications, including state-of-the-art energy-efficient refrigeration, and have created over 120 jobs. We have also welcomed four new local suppliers to the Best of our Counties range.

We have been working closely with local volunteering groups to enable food deliveries to be made to vulnerable people in our communities, with over 133,000 deliveries completed since the start of the pandemic. Our Food team has been recognised for this work in The Grocer Awards where we were selected as finalists in the Consumer Initiative of the Year category. We also have three nominations at

the forthcoming Retail Week Awards: Frontline Hero - Store Team and Frontline Hero - Store Manager for Bidford-on-Avon, and Frontline Hero - Delivery Colleague for Stourport.

To further support our communities, we provided over 10,000 meals in boxes for vulnerable children through the summer holidays for Walsall, Dudley and Shropshire councils. Our chefs devised some healthy recipes and provided video recordings to help children cook them at home.

We trialled our Too Good to Go app in our Franchise Road store in Kidderminster and plan to roll it out to more stores in the second half of the year. The app connects customers to restaurants and stores that have surplus food by selling unseen 'magic bags' which contain products at a third of their retail value. During the initial three-week trial, we sold all the magic bags we put on the app, helping to drive down food waste.

We continue to support and develop our colleagues, investing in new technology and equipment to allow them to spend more time with customers, and we have opened applications for our LEAP Programmes to help colleagues grow their skills and prepare for future roles. We have also invested in developing our store managers' leadership skills and behaviours and reviewed our managerial structure to ensure we have a flexible workforce that can adapt to the ever-changing retail environment.



Travel

“The performance of our Travel Group continues to be impacted by restrictions on international travel”

The performance of our Travel Group continues to be impacted by restrictions on international travel due to the Covid-19 pandemic. This is reflected in gross sales of £56 million, which are significantly lower than pre-pandemic levels.

International leisure travel was prohibited until mid-May and has since been subject to the Government’s traffic light system. This restricts travel to some destinations and dictates the additional measures travellers must take, such as testing and quarantining. To support those planning to travel abroad, we have been pleased to be able to offer Covid testing kits to customers at cost price in partnership with our Healthcare business.

The Government’s changing rules and the cost of testing and/or quarantining has meant consumer confidence remains subdued. But it is clear there is pent-up demand in the holiday market, with the level of enquiries reacting whenever Government announcements are made. In response, we have been focusing on promoting UK holidays for 2021, with cruises around Britain proving particularly popular, while mainly booking overseas trips for 2022.

We reopened all our branches after lockdown on 12 April, adjusting our opening hours to respond to customer demand. We were pleased to welcome all colleagues back into branch on flexible hours, and have used the flexible furlough scheme to supplement colleague pay while we operate

reduced opening hours. The protective screens, PPE and social distancing we introduced after the first lockdown remain in place to protect both customers and colleagues.

To supplement face-to-face bookings, we have kept the Virtual Call Centre open that we set up last year to manage enquiries, booking changes and cancellations, and our updated website with an improved search function allows customers to easily research holiday options, check the latest Covid restrictions and book remotely.

Our Consortium members and self-employed Personal Travel Agent partners have also, not surprisingly, suffered from the same constraints and lack of demand. We have continued to support them through this challenging time, providing financial flexibility where possible.

Travel has launched a partnership with Go Beyond, a charity that gives children facing challenges a break from their everyday pressures. Through this new partnership, the Group donates £1 per passenger to Go Beyond for every Co-op Holidays package booked. Additionally, customers have the option to donate £1 per passenger for holiday bookings made with any of the third-party travel companies that Your Co-op Travel agents sell.



Childcare

"The Group is planning for the future, with two new-build nurseries currently under construction"

Sales in the first half of the year reflect the ongoing disruption of the pandemic, with revenue 3% down on budget. Our city, town centre and commuter nurseries are still trading at occupancy levels significantly below pre-pandemic levels but the situation is much improved compared with this time last year when many sites were closed.

Reflecting the changes to the way people are working, with greater flexibility and increased opportunities to work from home, we are now offering a wider range of childcare options to ensure the service we provide works for parents/carers and their new employment arrangements.

Covid-related costs such as PPE equipment, enhanced cleaning, revised operating practices and the increased use of agency staff as a result of colleagues self-isolating have continued to depress profit margins, which, as with sales, have yet to return to pre-pandemic levels.

Despite the challenges of the pandemic, the Group is planning for the future. We have two new-build nurseries currently under construction. Our first purpose-built Little Pioneers nursery will open in Cheltenham in the autumn, followed by a new nursery in Bristol.

Our ambition is to become the best-loved national childcare provider across the country, ensuring that co-operative values are fully embedded in the whole nursery experience for both the children in our care and their families. We will be bringing

this to life at our new Cheltenham Park nursery as colleagues at the nursery will be among the first to be trained in this new child-centric, holistic early years programme.

We are proud to be recommended in Daynurseries.co.uk's Top 20 Recommended Nursery Groups 2021 list for the sixth year running. Our nurseries continue to educate our next generation of co-operators about green initiatives, and all our nurseries now hold the Green Flag Eco-School status.

Given the challenges faced and overcome by the Early Years sector during the pandemic, two of our colleagues were invited to attend a Thank You Reception at 10 Downing Street hosted by the Prime Minister, highlighting the difference the sector and Co-op Childcare has made to so many during this uniquely challenging time.



Utilities

“We now have enough community power to supply 55,000 homes”

The Utilities Group has focused on harmonising its different businesses, offering stand-out co-operative propositions and creating a cohesive brand during the first half of the year. The Phone Co-op website has been rebranded as Your Co-op, with messages focusing on sustainable living and the promotion of its new green broadband offering. Delivered with Ecologi, we are offsetting our customers' broadband carbon footprint with carbon credits and planting new trees for future decarbonisation – we are offsetting 50kg of CO₂ per month for each new customer's digital emissions. We also launched a new Co-op Energy microsite to promote our community power tariffs.

Our joint venture with Octopus has been rebranded as Younity. Since its launch we have seen significant growth in the number of community power partners we are working with and we now have enough community power to supply 55,000 homes. Tied into this, we have set up an affiliate scheme with outdoor company Patagonia who are championing community energy and encouraging their shoppers to take action to fund such initiatives. Working with Younity, Patagonia will invest the money raised into developments in this area.

The pandemic has resulted in fewer people switching their phone and broadband suppliers, due to economic uncertainty and a lower number of calls being made. Many of our business customers have also reduced their spend when renewing their contract as they have fewer employees working within offices. These factors have contributed to a 23% drop in gross sales for the Group.

We have been investigating new ways to promote our Utilities products. With Covid restrictions easing, the team introduced trial Co-op Energy stands into food stores in August and we are also trialling advertising in print media, including The Guardian. In addition, we have strengthened our partnership with Co-op Credit Union to promote our low-cost Unlimited Broadband package to its customers.

Your Co-op Mobile has become a founding consortium member of the new FairTec initiative, driving a move towards more sustainable digital technology – most notably smartphones and their usage.

The Phone Co-op has been recognised by Feefo as a Gold Trusted Service Provider for the second year running. Likewise, Co-op Energy has maintained a strong rating of 4.7 on Trustpilot, and our energy partner Octopus has achieved Which? Recommended Provider status for the fourth year running.

Following a successful pilot of our electric vehicle salary sacrifice scheme, we began rolling this out to colleagues and business customers in September to enable as many people as possible to make the switch to electric transport.



Healthcare

“The cooppharmacy.coop website is performing well, with online sales increasing week on week”

During the first half of the year, we completed our programme to dispose of all our community pharmacies, and these have now all been sold allowing us to focus on boosting our online offer and supporting members and customers in the Society's other trading groups. By way of example, we set up a scheme to deliver cost-price PCR tests to Travel customers ahead of their holidays. We have also been promoting these travel test kits more widely via the cooppharmacy.coop website, offering some of the lowest prices in the market and fast turnaround times, making it an attractive option for those taking last minute holidays.

Our online offer continues to be revised and reshaped. But even during this transition phase the website is performing well, with online sales increasing week on week at the midpoint of the financial year, boosted by the sale of our travel test kits.

Since the half year end, we have relocated our Online Hub, where our orders are processed and dispatched. The new site previously operated as one of our funeral homes and the move gives us the opportunity to prepare the online business for future expansion.

As part of our ongoing campaign to get VAT removed from sunscreen, we are currently absorbing the 20% VAT on all sunscreen purchases to encourage more widespread use of an essential product.

The Society has received welcome confirmation from the Pharmaceutical Services Negotiating Committee that the advanced funding issued to pharmacies during the pandemic in March-July last year to help absorb the increased costs of operating during the pandemic can be retained by pharmacy contractors who have since sold their branches. Originally, at the time the funding was provided, it was intended simply as an advance which was to be clawed back after the pandemic.



Funeral

“In June we announced the proposed transfer of 50 funeral homes and two vehicle logistic centres to Central England Co-operative”

In June we announced the proposed transfer of 50 funeral homes and two vehicle logistic centres to Central England Co-operative, together with the intention to sell our remaining 17 funeral homes. The transfer is subject to clearance from the Competition and Markets Authority (CMA).

Our Funeral Group has performed well during the pandemic, but longer-term market shifts are squeezing profitability and we have to consider how best to serve our members in the future. Simplified and ‘direct to crematorium’ services are on the increase, new technologies and operating models are attracting lower-cost operators and there is the potential for the CMA to introduce price capping. All of these would impact us, a mid-size operator, the hardest.

Central England Co-operative operates a much larger funeral operation, and has its own crematorium, both of which contribute significantly towards their overall revenue and contribution. Our business will fit well into their operation and be able to flourish. The transfer will allow a co-operative offering for our members to continue and we have agreed that members will still receive their usual member benefits on Central England funeral services.

Colleagues from our two vehicle logistics centres in our north sector, 50 funeral homes and funeral support office are proposed to transfer over to Central England. Our remaining 17 funeral homes are being marketed for sale and we will be closing our stone masonry business. We are doing everything

we can to support our colleagues during this time of transition in line with our co-operative values.

Turning to the business’ performance over the last six months, despite a slight drop in sales, the Group’s profits grew by 8.1% given an increase in the volume of funerals conducted during February and March as the second wave of the pandemic took hold. However, the overall number of funerals is down on the first half of last year.

The pre-need sales market has picked up with the reopening of our offices and the chance for face-to-face consultations, although sales are still suppressed compared to pre-Covid levels.

Restrictions on funeral attendance numbers were relaxed during the first half of the year, however some controls were still maintained by service venues due to size and logistical constraints. The Funeral Group developed its own plan for easing out of these restricted services, balancing the offer of a personal service while ensuring the safety of colleagues and clients.

The CMA’s consultation into the at-need funeral sector has now concluded. The remedies deal largely with clarity of pricing, both in branch and at arm’s length, as well as the requirement to offer a prescribed specification funeral to allow clients to compare funeral directors’ costs more easily. The funeral team is focused on making the group compliant with the new regulations by the September deadline.



Membership & Co-operative Social Responsibility

"We have introduced soft plastic recycling at 200 food stores, meaning all Co-op branded product packaging is now widely recyclable"

Membership matters

Our member engagement activities have been restricted to online events only given the constraints of the pandemic, but have included surveys and events, such as the 19 Your Co-op Conversations that took place ahead of the AGM. The AGM was once again live streamed from our head office in Warwick with 513 members attending online.

Our Members App is due to launch in October, providing members with instant offers and helpful content.

We have continued to develop our Young Co-operators Network, hosting regular online events based on topics of interest, running monthly social media competitions and providing resources to help young people with CV writing and interview techniques. We also launched our first Young Co-operator Member Engagement Committee election campaign, alongside our usual election, as we look for three young members to be appointed onto the Committee.

Working with our members we have continued to campaign on several key issues in collaboration with the Co-op Party, including calling for an amendment to the Police, Crime, Sentencing and Courts Bill to give greater legal protection for shop workers. We also continued to campaign for vaccine prioritisation for front line workers, particularly Childcare nursery workers, and made the case for additional government support for the Childcare sector.

Sustainability

We are in the process of creating a member-led five-year sustainability plan based on input from members and key stakeholders who were invited to give their views on the six key areas of our plan – the environment, energy consumption and production, financial viability and independence, education, community, and health and wellbeing. We are looking forward to launching the plan and associated targets in the near future.

We have continued to influence climate action through our co-operative and business networks and to support the UN's Sustainable Development Goals. This has included our work with the International Co-operative Entrepreneurship Think Tank (ICETT) and Euro Co-op. Our Chief Values Officer, Pete Westall, moderated a global webinar in the lead up to World Environment Day through ICETT entitled 'Cooperatives for an Environmentally Just Future'. The event brought co-ops of all sizes together, to share best practice and discuss collaboration opportunities.

We have pledged our support for the EU Code of Conduct on Responsible Business through our involvement with Euro Co-op. Through the Code we have committed to reduce our greenhouse gas emissions and reduce our waste footprint, as well as engaging with our members to take climate action through our '1 Change' programme.

To support members in making their 1 Change, we have introduced soft plastic recycling at 200



food stores, meaning all Co-op branded product packaging is now widely recyclable. We have also started the process of converting all the Society's vehicles to electric or hybrid, with the aim of completing the switchover within the next five years.

Connected communities

We have continued to work with our Regional Community charity partners. Recent initiatives include setting up a work experience programme at our Cowley Centre Food Store in conjunction with our charity partner Aspire, to enable those experiencing homelessness to gain employability skills. We have also set up a social enterprise hub within the food store where Aspire can support its clients, run enterprise programmes and develop employability skills.

Our Society joined other members of Federal Retail and Trading Services in making a donation to SEWA, the Self-Employed Women's Association Co-op federation, for Covid relief in India. Funds are being used to purchase and provide medical supplies and equipment.

Colleague engagement, wellbeing and diversity

We have now rolled out our mental health eLearning module to all colleagues and introduced the Everymind at Work app, which gives colleagues access to mental health content and coping strategies and allows them to track and manage their mental wellbeing. Also, our first Men's Wellbeing Peer Support Group virtual meeting took

place, giving male colleagues a dedicated space to discuss a range of issues and support strategies, including mental health issues.

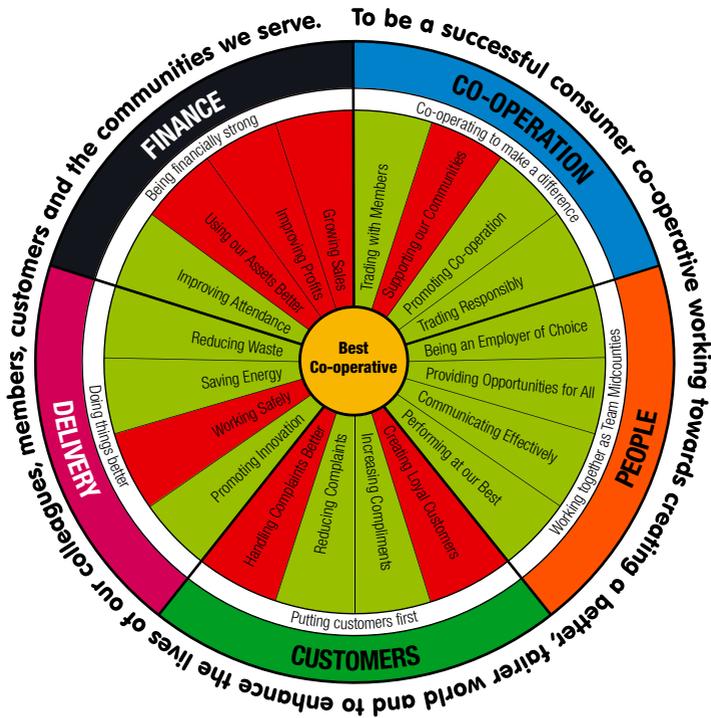
We launched both an LGBTQIA+ Working Group and an Ethnic Minority Working Group, opening up discussions and highlighting ways in which the Society can truly embrace opportunities for all. We have also created a Women in Retail Working Group to find ways to increase the number of women in senior retail roles. Similarly, we launched our Men in Childcare Working Group, which has an ambitious target of increasing the number of men working in the sector from 2% to 20%.

Recognition

The high-level results in this year's Business in the Community (BITC) Responsible Business Tracker show we have achieved the highest score of all the 20 businesses taking part within our cohort round, achieving a score of 79% compared with a cohort average of 45%. BITC highlighted the Society's strong governance and transparency, purposeful leadership, and clear evidence of responsible business principles underpinning our trading activities. We have also been reaccredited with the Fair Tax Mark for 2021/22.

Furthermore, our Chief Values Officer, Pete Westall, won the Co-operator of the Year Award for his dedication to the co-operative movement, as part of Co-operative UK's 2021 Co-op of the Year awards.

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 compared with the half year point last year. We report more fully on our Steering Wheel results in our Annual Report.

Reporting our Steering Wheel

Co-operation

Trading with members

Percentage of trade with members: 20.8%
(last year 16.4%)

We continue to look for ways to increase member trade by developing member rewards and promoting cross trade between trading groups. These developments will be enhanced further by the launch of our Members App in October, which will deliver instant offers and helpful content to drive increased member engagement.

Promoting co-operation

Number of members involved in co-operative activity: 31,915 (last year 11,023)

We have continued to engage our members on key issues. We have run a number of member surveys and a wide range of online member events, including our Your Co-op Conversations, which give our members a platform to discuss a range of co-operative and business issues.

Supporting our communities

Hours volunteered in the community by colleagues: 7,967 (last year 19,198)

Continued Covid-19 restrictions have delayed the full return of our colleague volunteering activities. However, as restrictions have begun to lift, we have gradually reintroduced our colleague volunteering and regional community programmes. This year's figure is down on last year given the large number of home delivery volunteering hours made by colleagues at the height of the pandemic last year.

Trading responsibly

% reduction in controllable food waste across our food stores: 15% (new measure)

We have set ourselves an ambitious target to tackle food waste. Our activity throughout the first half of the year has highlighted the complexities within the Food Retail industry, hence we are behind our phased target. We will continue to roll out the Too Good to Go app to all stores to enable more of our products that would have gone to waste to be purchased by customers, while also investigating further ways to reduce controllable food waste across our food stores.

People

Being an employer of choice

% of colleagues employed over 3 years: 59%
(new measure)

Our colleague engagement activity and colleague development programme both contribute to our positive colleague retention rate. We will continue to look at ways to support and develop our colleagues across our various businesses to improve this rate further.

Providing opportunities for all

% colleagues who positively score the colleague survey 'I have the opportunity to develop at Midcounties': 64% (new measure)

We are always looking for ways to support and develop our colleagues and have recently introduced a range of new development options, including e-learning and apprenticeship schemes. We have seen increased participation in our Early Years programmes and introduced our first open application LEAP programmes for Food Retail colleagues.

Communicating effectively

% colleagues who positively score the pulse survey question 'I am satisfied with the way the Society communicates with me': 69%
(new measure)

We have a very diverse workforce and use a wide range of communications platforms to share key messages, including our Colleagues Connect online platform and the individual communication channels used by our trading groups. We continue to measure the effectiveness of our communications and look for opportunities to improve them.

Performing at our best

% colleagues who positively score the pulse survey question 'I have regular check-ins with my line manager': 78% (new measure)

We continue to promote the use of our wellbeing, development, career and performance check-ins across the Society through the Colleagues Connect website, trading group communications and leadership development activity, but recognise there is still work to be done to fully embed 'check-ins' across the Society. Our performance against the colleague pulse survey related measures are behind our half year target so we have formed action plans to improve scores during the second half of the year.

Customers

Creating loyal customers

Customer satisfaction score: 71 (last year 90)

We have changed the way we calculate this measure. We now use a 'customer satisfaction score' (based on direct customer responses when asked 'how satisfied were you with your experience today?') instead of the 'customer loyalty index' (which measures customer loyalty over time). This accounts for the difference against last year.

Reducing complaints

No. of complaints received: 1,459

(last year 1,515)

We have seen a reduction in the number of complaints compared to last year as our trading groups continue to ensure we introduce changes based on customer feedback, making improvements where required. Overall the measure is slightly behind our half year target, mainly due to the impacts of Covid on our operations, however recent progress indicates that we expect to be back on target as we move into the latter part of the year.

Increasing compliments

Number of customer compliments: 17,320

(last year 8,501)

Our trading groups have focused on capturing customer compliments and we are pleased to have received an increased number, in particular, around the way we have helped our members and customers during the Covid-19 pandemic.

Handling complaints better

% complaints handled well when surveyed: 88%

(last year 95%)

Trading groups have continued to use the learnings from customer feedback, and respond to customers as effectively as possible. The overall score is lower than this time last year as it now includes Utilities. However, this was factored in when setting our phased targets for this measure, and overall we are exceeding the phased target for half year of 84%.

Delivery

Promoting innovation

Number of ideas implemented having a positive impact on another Steering Wheel measure: 20 (last year 0)

Each trading group now has dedicated colleagues supporting the development and collation of innovations, which has contributed to our performance this year. Our activity in this area was put on hold last year as we focused our efforts on the immediate impacts of the pandemic.

Working safely

Number of accidents/incidents reported as a moving annual trend: 560 (last year 442)

We continue to ensure that health and safety in the workplace is our top priority. This year's figure is up on last year as many sites and support offices were closed or were operating with fewer colleagues at the height of the pandemic in 2020.

Saving energy

% reduction in greenhouse gas (GHG) emissions across our Society: 20% (last year 7.5%)

There has been a marked reduction in our GHG emissions given the Covid-19 restrictions, with operations still reduced across our businesses and fewer business miles being travelled by colleagues. Carbon emissions associated with energy use have also reduced with increased access to sustainable energy sourced in the UK.

Reducing waste

Percentage of waste reduction across our operations: 11% (last year 4%)

We have continued to reduce our waste footprint by engaging our colleagues in waste reduction actions in the workplace and working with our waste partners to implement waste reduction initiatives.



Pineham in Northampton is one of six new food stores that we launched in early 2021.

Consolidated Interim Statement of Comprehensive Income

For the period ended 24 July 2021

	Note	26 weeks to 24 July 2021 (Unaudited) £'000	26 weeks to 25 July 2020 (Unaudited) *(Restated) £'000	52 weeks to 23 January 2021 (Audited) £'000
Revenue	2	340,307	394,310	722,641
Cost of sales		(232,211)	(282,885)	(508,566)
Gross profit		108,096	111,425	214,075
Operating Income		139	-	5,002
Operating expenses		(102,809)	(104,290)	(206,345)
Operating profit before significant items		5,426	7,135	12,732
Significant items	3	(748)	(3,462)	(5,556)
Operating profit		4,678	3,673	7,176
Finance costs		(4,872)	(4,055)	(8,055)
(Loss)/profit before payments to and on behalf of members		(194)	(382)	(879)
Payments to and on behalf of members		(1,382)	(1,838)	(1,859)
(Loss)/profit before tax		(1,576)	(2,220)	(2,738)
Income tax		(728)	1,525	2,318
Loss for the period		(2,304)	(695)	(420)

* For further details in relation prior year restated values please refer to note 4.

Consolidated Statement of Financial Position

As at 24 July 2021

	26 weeks to 24 July 2021 (unaudited)	26 weeks to 25 July 2020 (unaudited) *(Restated)	52 weeks to 23 January 2021 (Audited)
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	166,026	173,518	155,177
Intangible assets	70,905	77,581	71,209
Investment property	13,068	13,547	13,001
Right of use assets	105,548	113,238	115,362
Other investments	82,173	82,967	80,443
Other debtors	5,570	6,646	5,973
Deferred tax assets	16,378	11,565	14,169
Total non-current assets	459,668	479,062	455,334
Current assets			
Other investments	7,232	7,864	9,584
Stocks	23,196	24,971	24,542
Trade and other receivables	86,553	72,673	84,519
Cash and cash equivalents	6,140	10,931	7,843
Assets held for sale	11,069	7,066	17,536
Total current assets	134,190	123,505	144,024
TOTAL ASSETS	593,858	602,567	599,358
LIABILITIES			
Current liabilities			
Loans and borrowings	8,741	7,275	12,671
Trade and other payables	182,300	201,350	177,427
Lease Liabilities	13,660	11,059	14,785
Current tax payable	124	73	124
Total current liabilities	204,825	219,757	205,007
Non-current liabilities			
Loans and borrowings	46,467	48,014	60,101
Other payables	79,343	75,859	71,619
Lease Liabilities	112,856	113,538	115,253
Pension obligations	44,688	43,493	47,708
Total non current liabilities	283,354	280,904	294,681
TOTAL LIABILITIES	488,179	500,661	499,688
NET ASSETS	105,679	101,906	99,670
EQUITY			
Share capital	85,647	75,995	78,991
Other reserves	39,016	40,876	39,030
Retained earnings	(18,984)	(14,965)	(18,351)
TOTAL EQUITY	105,679	101,906	99,670

* For further details in relation prior year restated values please refer to note 4.

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 24 July 2021 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Co-operative and Community Societies Act 2014.

This financial information should be read in conjunction with the Society's Annual Report and Accounts for 2020-21, and have been prepared using the accounting policies set out in that report.

2. Revenue	26 weeks to 24 July 2021 (unaudited)	26 weeks to 24 July 2021 (unaudited)	26 weeks to 25 July 2020 (unaudited) *(Restated)	26 weeks to 25 July 2020 (unaudited) *(Restated)
	Gross sales £'000	Revenue £'000	Gross sales £'000	Revenue £'000
Food	329,193	294,727	352,155	317,228
Funeral	15,128	14,872	16,879	16,673
Healthcare	2,757	2,729	12,927	12,695
Travel	56,451	2,044	59,482	28,388
Childcare	18,458	18,352	12,035	11,972
Post Offices	1,917	1,895	1,371	1,354
Utilities	9,185	4,864	11,926	5,396
Other	36	36	60	60
Property rentals	1,317	1,310	1,297	1,297
	434,442	340,829	468,132	395,063
Members share of profits	(522)	(522)	(753)	(753)
Revenue from continuing operations	433,920	340,307	467,379	394,310

* For further details in relation prior year restated values please refer to note 4.

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.

	26 weeks to 24 July 2021 (unaudited)	26 weeks to 25 July 2020 (unaudited)	52 weeks to 23 January 2021 (audited)
	£'000	£'000	£'000
Analysis of significant items:			
Items included within operating expenses:			
Net gain on disposal of property, plant, equipment, investment properties and assets held for sale	975	(71)	1,737
Change in fair value of trading properties	-	-	(1,461)
Change in fair value of investment properties	-	-	(1,461)
Expense of business acquisitions and disposals	(397)	(863)	(1,333)
Restructuring costs	(1,066)	(1,332)	(2,304)
Right of use asset impairment	11	(990)	(301)
Refinancing	(271)	(72)	-
Coronavirus expenditure	-	(134)	(433)
Significant items	(748)	(3,462)	(5,556)

4. Prior year adjustments

This section highlights the adjustment made to prior year figures within the Annual Statements dated 23 January 2021. Adjustments relating to the 26 weeks to 25 July 2020 are reflected in the Consolidated Statement of Financial Position. Adjustments relating to accounting periods prior to this date have been reflected directly in retained earnings within the Consolidated Statement of Financial Position.

In the process of preparing the financial statements for the period ending 23 January 2021 the directors have identified various accounting errors and have restated previous amounts. The restatements relate principally to the accounting for:

- Leased assets on adoption of IFRS 16;
- Travel debtors, creditors and accounting for foreign currency sales;
- Funeral plans; and
- Lottery & other commissions income presentation.

Consolidated Statement of Comprehensive Income Adjustments

	26 weeks to 25 July 2020 (Unaudited)	26 weeks to 25 July 2020 (Unaudited)	26 weeks to 25 July 2020 (Unaudited)	26 weeks to 25 July 2020 (Unaudited)	26 weeks to 25 July 2020 (Unaudited)	26 weeks to 25 July 2020 (Unaudited)	26 weeks to 25 July 2020 (Unaudited)
		1	2 & 6	4	3 & 6	5 & 6	
	As Previously reported	Travel Foreign Currency Restatement	Fixed Asset Policy Correction Restatement	Lottery & Other Commissions Income Restatement	Funeral Plan Revenue Recognition Restatement	IFRS 16 Sublease adjustment	Restated Amount
Note *	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	399,616	(5,504)	-	1,279	(679)	(402)	394,310
Cost of sales	(289,006)	5,504	-	-	617	-	(282,885)
Gross profit	110,610	-	-	1,279	(62)	(402)	111,425
Operating expenses	(103,160)	-	(71)	(1,279)	-	220	(104,290)
Operating profit before significant items	7,450	-	(71)	-	(62)	(182)	7,135
Operating expenses - Significant items	(3,462)	-	-	-	-	-	(3,462)
Operating profit	3,988	-	(71)	-	(62)	(182)	3,673
Finance costs	2.3 (4,902)	-	-	-	838	9	(4,055)
Profit/(Loss) before payments to and on behalf of members	(914)	-	(71)	-	776	(173)	(382)
Payments to and on behalf of members	2.4 (1,838)	-	-	-	-	-	(1,838)
Loss before tax	(2,752)	-	(71)	-	776	(173)	(2,220)
Income tax expense	2.5 1,525	-	-	-	-	-	1,525
Profit/(loss) for the year from continuing operations	(1,227)	-	(71)	0	776	(173)	(695)
Loss for the year from discontinued operations, net of tax	2.6 -	-	-	-	-	-	-
Loss for the year	(1,227)	-	(71)	0	776	(173)	(692)

* Please refer to the corresponding note in the 2020/21 Annual Report & Accounts.

-
- 1.** In 2020/21 the accounting policy was updated to correctly recognise the sale of foreign currency on a net basis. This has resulted in prior half year costs of sales (£5.504 million) in relation to foreign currency being reclassified to revenue, therefore reducing revenue and only recognising commission on the sale.
 - 2.** Prior half year depreciation was corrected to ensure assets were being depreciated in accordance with fixed asset policy, this resulted in an additional £0.071 million depreciation being charged to the Consolidated Statement of Comprehensive Income.
 - 3.** The correction to the accounting policy for funeral revenue recognition under IFRS 15 has resulted in a decrease in revenue of £0.679 million, decrease in cost of sales of £0.617 million and decrease in net finance cost of £0.838 million in the prior half year, resulting in an decrease in the loss for the half year of £0.776 million. Please refer to adjustment 8 on page 27.
 - 4.** Prior half year Lottery & Other Commissions income of £1.279 million was incorrectly deducted from operating expenses. This has been correctly reclassified to revenue.
 - 5.** To account for Sublease impairment to right of use assets rental income has been reduced by £0.402 million and right of use depreciation charge has been reduced by £0.234 million within the prior half year. There has also been an adjustment to right of use vehicles resulting in an increase of £0.014 million in depreciation and reduction of £0.009 million in interest costs.

Consolidated Statement of Financial Position Adjustments

25 July 2020 (Unaudited)

		26 weeks to 25 July 2020 (unaudited)	26 weeks to 25 July 2020 (unaudited)	26 weeks to 25 July 2020 (unaudited)	26 weeks to 25 July 2020 (unaudited)	26 weeks to 25 July 2020 (unaudited)	26 weeks to 25 July 2020 (unaudited)
			1, 4, 5, 6, 7 & 10	3	8	2, 9 & 11	
Note *	As Previously reported	IFRS 16 Restatement	Travel Debtors and Creditors Restatement	Funeral Plans Restatement	Other Restatement	Restated Amount	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ASSETS							
Non-current assets							
Property, plant and equipment	3.1	178,603	(5,485)	-	-	400	173,518
Intangible assets		77,581	-	-	-	-	77,581
Investment property		13,547	-	-	-	-	13,547
Right of use assets	3.4	112,915	323	-	-	-	113,238
Other investments		63,596	-	-	19,371	-	82,967
Other debtors		1,374	5,272	-	-	-	6,646
Deferred tax assets		10,977	-	-	-	588	11,565
Total non-current assets		458,593	110	-	19,371	988	479,062
Current assets							
Other investments		5,442	-	-	2,422	-	7,864
Stocks		24,971	-	-	-	-	24,971
Trade and other receivables	3.8	201,967	(640)	(128,654)	-	-	72,673
Cash and cash equivalents		10,931	-	-	-	-	10,931
Assets held for sale		7,066	-	-	-	-	7,066
Total current assets		250,377	(640)	(128,654)	2,422	-	123,505
TOTAL ASSETS		708,970	(530)	(128,654)	21,793	988	602,567
LIABILITIES							
Current liabilities							
Loans and borrowings	4.1	8,563	(1,288)	-	-	-	7,275
Trade and other payables	4.2	328,474	(55)	(128,600)	1,531	-	201,350
Right of use liability		9,771	(9,771)	-	-	-	-
Lease Liabilities	4.3	-	11,059	-	-	-	11,059
Current tax payable		73	-	-	-	-	73
Total current liabilities		346,881	(55)	(128,600)	1,531	-	219,757
Non-current liabilities							
Loans and borrowings	4.1	52,361	(4,347)	-	-	-	48,014
Other payables	4.2	65,463	(815)	(54)	10,039	1,226	75,859
Right of use liability		109,146	(109,146)	-	-	-	-
Lease Liabilities	4.3	-	113,538	-	-	-	113,538
Pension obligations		43,493	-	-	-	-	43,493
Total non current liabilities		270,463	(770)	(54)	10,039	1,226	280,904
TOTAL LIABILITIES		617,344	(825)	(128,654)	11,570	1,226	500,661
NET ASSETS		91,626	295	-	10,223	(238)	101,906
EQUITY							
Share capital		75,995	-	-	-	-	75,995
Other reserves		40,876	-	-	-	-	40,876
Retained earnings		(25,245)	295	-	10,223	(238)	(14,965)
TOTAL EQUITY		91,626	295	-	10,223	(238)	101,906

* Please refer to the corresponding note in the 2020/21 Annual Report & Accounts.

1. Prior year balances (2020/21) relating to certain leased assets were categorised incorrectly within plant, fixtures and fittings. These have been correctly reclassified to Right of use assets in accordance with IFRS 16. The net balance transferred is £5.525 million.

2. Prior year depreciation was corrected to ensure assets were being depreciated in accordance with fixed asset policy. This resulted in the prior half year closing balance for Property, plant and equipment accumulated depreciation increasing by £0.827 million as well as a £0.71 million additional charge to Consolidated Statement of Comprehensive Income 26 weeks to 25 July 2020 for depreciation and prior year charges of £0.756 million taken straight to retained earnings.

3. In prior years, the gross value of travel bookings made by customers was recognised as a receivable at the time of the booking. As customers can cancel bookings without paying additional amounts until the stated agreed period before departure then the remainder of the holiday value should not be recognised prior to that date. Prior year trade and other receivables has been reduced by £128.654 million with a corresponding adjustment to Trade and other payables (£128.600 million), and Other payables (non-current) (£0.054 million)

4. Finance lease liabilities, which were previously disclosed under loans and borrowings, have been reclassified to lease liabilities. 2020/21 balances that were transferred included the current portion of Finance lease liabilities (£1.288 million) and Non-current finance lease liabilities (£4.347 million). Right of use liabilities have also been reclassified to Lease liabilities.

5. On transition to IFRS 16, rental prepayments should have been reclassified to Right of use assets. £1.445 million has been reclassified from Prepayments and accrued income to Right of use assets.

6. In the prior year (2020/21), Right of use assets incorrectly included assets subject to a sub-lease which represents a finance lease. An adjustment has been made to de-recognise these Right of use assets (£6.479 million) and to recognise finance lease receivables (Current £0.805 million and Non-current £5.272 million) within Other receivables. As a result of this correction, the prior half year depreciation charge for Right of use assets has been reduced by £0.234 million and Rental income revenue has reduced by £0.402 million (2019/20 adjustment: £0.468 million increase to Retained earnings).

7. On transition to IFRS 16, deferred income in connection with leases should have been reclassified to Right of use assets. Consequently, deferred income held in Current liabilities trade and other payables (£0.055 million) and deferred income held in Other payables (non-current) (£0.815 million) in the prior year has been reclassified as a deduction to Right of use assets.

8. The Society no longer accounts for Funeral prepayment plans under IFRS 4. These plans are now accounted for under IFRS 15. As result of these changes the following adjustments have been made to the prior year balance sheet:

(i) Funeral bond assets have increased by £21.793 million for the prior year (Current assets - other investments £2.422 million and Non-current assets £19.371 million).

(ii) Funeral bond liabilities have been reclassified to Funeral bonds deferred income and have increased by £11.570 million (Current liabilities - trade and other payables £1.531 million and Non-current liabilities - other payables £10.039 million).

(iii) The loss for the year 26 weeks to 25 July 2020 was decreased by £0.776 million (please refer to point 3 on page 25) (2019/20 adjustment: £9.477 million increase to Retained earnings).

9. As a result of the prior year restatements to the Consolidated Statement of Comprehensive Income, prior year tax has been recalculated and an additional tax credit of £588k has been charged, increasing the Non-current deferred tax assets.

10. As a result of validating our Vehicle right of use asset database there has been an increase in the right of use asset of £0.040 million and an increase in our lease liability of £0.045 and a saving to the Consolidated Statement of Comprehensive Income of £0.005 million (please refer to point 5 on page 25).

Change in Accounting policy:

11. Grants of £1.266 million have previously been offset against the cost of Childcare trading properties within fixed assets. These are now presented within Other payables (non-current).

0800 435 902
member.communications@midcounties.coop

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

www.midcounties.coop

**We are happy to
provide publications in
alternative formats**