The **Midcounties Co-operative**

Half Year Report 2013/14
For the 26 weeks ended 27 July 2013

Society highlights

We were recognised in the Business in the Community Big Tick Awards for Building Stronger Communities and Environmental Leadership

We won the Colleague Engagement Award at the Employers Network for Equality & Inclusion Awards

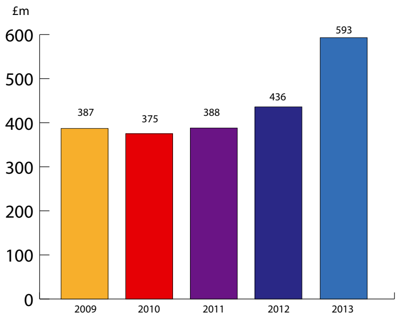
We have raised £150,000 for our charity partner Teenage Cancer Trust

Our colleagues have given 24,300 hours back to the communities where we trade through our volunteering programme

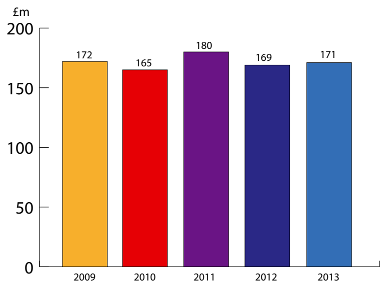
Our operating profit before significant items is ahead of 2012 by £1.6 million

In this half year we have grown sales by 36% to £592.8 million

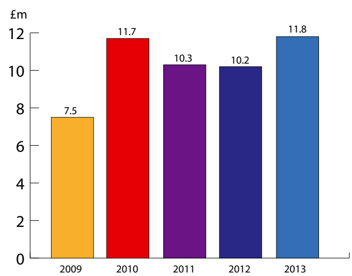
Gross sales



Net assets



Operating Profit before Significant Items*



* Operating profit before significant items in 2009 and 2010 is calculated as trading profit per half year report for each year adjusted for the Co-operative Group corporate dividend received

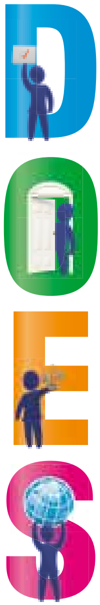
Who we are

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, Pharmacy, Funeral, Childcare, Energy, Post Offices and Flexible Benefits.

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

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



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

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

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

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

Our purpose statement

Working together to create a better, fairer world

President's Overview

"The most important single contribution that we can make to the future of co-operation in this country is to defend and extend our own position as a successful and developing member-controlled business."

Patrick Gray OBE

Once again, it is with real pride that I have the pleasure of introducing this report on the progress that the Society has made over the past half year. We are making good progress with the difficult transition from being a business which was, until recently, overwhelmingly dependent on selling food to one where food is balanced by a growing presence in other sectors; notably energy and childcare. And we are making this transition while maintaining profitability, not least by continuing to invest in new and improved food outlets where real market opportunities exist.

With the co-operative movement nationally going through what is probably the gravest crisis in its 160 year history, we at Midcounties are not, and cannot be, simply passive spectators. We share in the ownership of Co-operative Group, and are a key stakeholder in the joint purchasing system, CRTG, and in the Co-operative brand. We are also customers of the movement's financial services arm. As such, we have both a responsibility and a direct interest to do whatever we can to help to ensure that our partners in other parts of the movement work their way to a sustainable resolution to the current problems.

That being said, the most important single contribution that we can make to the future of co-operation in this country is to defend and extend our own position as a successful and developing member-controlled business. We need to continue to generate profits successfully month by month. And, without overreaching ourselves, we also need to adapt flexibly and creatively to new opportunities and so build a strong foundation for a sustainable future for our Society. That is the best way for us to help ourselves and the best way for us to help to ensure that the co-operative movement will continue to play an important part in our national life in the years to come. The figures presented in this report show that we have made good progress on both these scores over the past half year.

Patrick Gray

Patrick Gray OBE
President

Chief Executive's review

"For any business to grow by 36% is remarkable and this must reflect the level of commitment shown by our colleagues."

Ben Reid OBE

I am delighted to be able to report that the Society has again delivered a strong performance despite the difficult trading conditions.

During the first half year we celebrated reaching gross sales of £1 billion in a rolling 12 month period, and in this half year itself we grew gross sales by 36% to £592.8 million. This has been achieved mainly as a result of investment in our Energy, Travel and Childcare groups.

The fastest growing trading group remains Co-operative Energy. We have seen customer numbers increase from 52,000 last year to 142,000 this year, which gave gross sales growth of over 600% to £74.8 million. Despite the challenging trading environment for our food business we have grown gross sales by over 7% in the first half of the year. This has been helped by a full half year trading for the Harry Tuffins business which we acquired in April last year. Our Travel and Childcare groups have also seen large growth in gross sales on last year, Travel by 97% and Childcare by 20%.

Our operating profit before significant items of £11.8 million is ahead of 2012 by £1.6 million and represents a record first half performance. Our capital investment this year of £5.1 million is considerably lower than the prior year figure of £33.1 million which included the purchase of the Harry Tuffins business. This has resulted in a net cash inflow of £8.5 million.

The Society's net assets have increased in the first six months by £7.6 million to £171.4 million. This has resulted from the strong trading performance but also increased investment in share accounts as our members have continued to support the Society and show faith in our strategy of diversification.

For any business to grow by 36% is remarkable and this must reflect the level of commitment shown by our colleagues. The consistently high level of colleague engagement in the development of a successful co-operative business has been vital. I am confident that, with their on-going support, we can continue to demonstrate the effectiveness of the Co-operative way of doing business.

Ben Reid OBE
Chief Executive

Food Retail

"Our Food business has achieved gross sales of £310 million, an increase of 7.6% on last year."

Our Food business has achieved gross sales of £310 million, an increase of 7.6% on last year. This is a strong performance in a trading environment that remains challenging and has been helped by a full half year trading for the Harry Tuffins business which we acquired in April last year and is performing well.

The Food Retail Group has delivered some significant developments during the first half of the year while trying to maximise sales and profit in an increasingly competitive market place.

The key development has been the launch of our new store system which will improve the speed of service at the checkout. The stock management part of the system will also allow us to centrally manage range and ordering. As a result, we will be able to deliver store-specific ranges, enabling us to deliver products to meet the differing needs of customers at stores across our estate, as well as improving overall availability. These developments form part of a wider initiative to provide customers with the best products and service that reflect their shopping 'mission'. They also mean that our teams will have more time to focus on delivering excellent service to our customers.

This focus on range means we are now delivering improved ranges and better quality products to our members and customers. This national initiative continues in the second half with even better choice, including an excellent range of own label ready meals, modern twists on our in-store bakery lines and new chilled snack lines.

We have continued to invest in our store estate with seven stores refitted and the opening of three new stores in the first half of the year in Walsall, Leamington Spa and Gloucester. All new and recently refitted stores have been made more energy efficient by adding doors to fridges and changing to LED lighting. This has saved 30% of the energy used at these 10 sites.

Travel

"Travel now has 60 trading locations, thanks to the recent addition of five branches acquired from the Co-operative Travel / Thomas Cook joint venture."

The development strategy of our Travel group has seen a substantial sales growth of 97% to £142 million in this half year. This has been delivered by growth in all of our business streams. The Group has also seen an increase in profit on last half year.

Travel now has 60 trading locations, thanks to the opening of a new branch in Stafford and the recent addition of five branches acquired from the Co-operative Travel/Thomas Cook joint venture. The Group has also re-launched a concept store in Wednesfield inside a new, larger Sainsbury's supermarket and its Wolverhampton branch has relocated to a prominent high street location.

We now have 140 Personal Travel Agents, including a selection of specialists in areas such as cruise and ski. To support our PTAs we launched a dedicated website for them in May www.personaltravelagents.co.uk. Our main cooptravel.co.uk website also has an improved customer journey and increased content.

Other developments include the creation of a partnership with Barrhead Travel, one of the most successful travel agents in the UK, which provides joint buying opportunities and gives access to their excellent customer relationship management systems, as well as providing exclusive products for us to sell across our network. We also won four travel industry awards, including Best Large Travel Agency in Central England at the Agent Achievement Awards.

We continue to support The Travel Foundation's Sustainable Tourism initiative, donating £13,000 in total this year (including customer donations).

We are also now an officially appointed agent of the Family Fund Travel Card with Inspire. They supply £500 holiday grants to over 13,500 families with a disabled child. This is aimed at families throughout the UK, with grants funded by the Government through the Family Fund.

Energy

"The group has seen a 172% growth in customer numbers from 52,000 this time last year to 142,000"

Gross sales for Co-operative Energy have increased to £75 million and the group has seen a 172% growth in customer numbers from 52,000 this time last year to 142,000. In addition, the business has recently moved into profit for the first time.

Energy has recently undergone rebranding and is now using a plum colour instead of the original grey in all advertising activity.

As the business has grown we are investing heavily in IT systems, including a state-of-the-art billing system to cater for increased customer numbers. The business now employs 192 colleagues and continues to grow rapidly to ensure consistency in customer service levels.

The Group won Utility Supplier of the Year Award and Energy Supplier Customer Service Award at the prestigious Environment and Energy Awards in April 2013. It was also rated second in the Which? league table based on customer response times. The average waiting time for customers calling Energy's customer service department was 39 seconds, making it one of only four energy companies to respond to queries in under a minute.

Pharmacy

"As part of our commitment to being a community pharmacy, we are now training a group of colleagues as Community Health Champions"

Performance in the Pharmacy Group continues to be affected by the Government's drive to reduce expenditure and increase efficiency in the distribution of prescription medication. Despite an increase in prescription numbers over last year we have seen a fall in sales and margin to give a performance below the last half year but above our forecasts.

Our Pharmacy Group will shortly be launching its new online doctor service where patients will be able to visit the website and complete an online consultation. The electronic private prescription will then be sent to our Hub in Bilston, Wolverhampton for dispensing and posting. We are also shortly to launch a new online business at www.co-operativehealthcare.co.uk as we realise the importance of developing our online offering and we are investigating business opportunities to offer healthcare services beyond our branch environment.

Our Pelsall branch has relocated inside the new doctors' surgery in the town and the number of prescriptions dispensed has increased by 12%. Our Hednesford branch continues to perform well despite new competition from a nearby Tesco.

As part of our commitment to being a community pharmacy, we are now training a group of colleagues as Community Health Champions. These champions will create campaigns relevant to each area and work with the communities they serve to raise awareness of particular health concerns. The new NHS structure which launched in April has provided additional opportunities for us to offer health promotion services, such as vascular health checks which are currently being held in Worcestershire.

Flexible Benefits

"Our Flexible Benefits business continues to grow, with over 940 companies now offering our range of benefits to their employees"

Our Flexible Benefits business continues to grow, with over 940 companies now offering our range of benefits to their employees. In an increasingly changeable market, the Group has performed in line with expectations though slightly behind last half year.

Over the last six months, we have launched a number of new benefits including an industry leading free payroll giving scheme, a green car salary sacrifice scheme and a wide range of shopper rewards and discounts. These benefits can now be accessed by employees directly through a brand new web portal we have launched.

The Government has announced changes to the provision of childcare vouchers from October 2015. Families already using the scheme will be able to continue to make their tax and national insurance savings but new users will not be able to sign up to the scheme after this time. We are actively involved in consultations with the Government regarding ways we can operate within the proposed new legislation. To maximise this window of opportunity to October 2015 we have put together a growth plan and have doubled the size of the sales team to manage this. We have also advertised and generated editorial in the national press and created new websites to raise general awareness around the changes and the savings parents and employers can make.

Funeral

"The Funeral Group had a good first half year and has conducted 3% more funerals this year"

The Funeral Group had a good first half year and has conducted 3% more funerals this year. This has helped deliver sales growth of 11% and has seen an improvement in performance on last year.

True to our value of social responsibility, our Funeral Group has created the UK's first recyclable corporate clothing range, which comprises a full ceremonial outfit for colleagues and is created entirely from biodegradable materials from sustainable sources. The uniforms, which feature buttons made from the Corozo nut, are being rolled out across the estate over the coming months.

Funeral hosted its first 'Plan for the Future' event in Walsall, where representatives from the Society's other businesses as well as Co-operative Legal Services came to speak to the public about the importance of making decisions for the future. We also opened two new funeral homes in Bridgnorth, our first in Shropshire, one of which features a specialist masonry centre and bereavement service.

In terms of colleague development 26 colleagues achieved an NVQ in the last six months and 58% of funeral colleagues now have an NVQ level 2 or above. Additionally, two colleagues qualified with the National Association of Funeral Directors (NAFD) to train others within the Society to achieve NAFD qualifications. Our Group General Manager for Funeral, Simon Fisher, was also elected as President of the National Association of Funeral Directors in recognition of his in-depth knowledge and commitment to the funeral profession.

Childcare

"The Group now operates 50 nurseries after acquiring the workplace setting at the Body Shop Nursery in Littlehampton, West Sussex"

The Childcare group has seen a full half year trading for the nurseries acquired last year, which has contributed to sales growth of 20%. We have delivered a strong performance in our original nursery estate whilst developing the acquisitions to meet the high standards and performance we set for all of our nurseries.

The Group now operates 50 nurseries after acquiring the workplace setting at the Body Shop Nursery in Littlehampton, West Sussex. The purpose-built 130 place nursery is open to the company's employees as well as the general public and shares similar values and ethics to our Society.

In the first half of the year six of the Childcare sites we acquired in 2012 have been rebranded. Our Walcot, Wellington Road in Wolverhampton, Chichester and Kidderminster nurseries all celebrated being rated as Outstanding by Ofsted - the highest accolade in the childcare field. We continue to rebrand with an aim to have all 21 recently-acquired sites complete before the end of the financial year.

At the beginning of 2013 we launched our new-look Childcare website which combines enhanced usability with a fun design featuring our Little Pioneer characters. In March we introduced an e-learning platform featuring an online childcare training programme for new starters to ensure consistency in our nursery standards.

We have also introduced our 'Funding for Learning' scheme which gives colleagues the chance to further develop their skills through education with financial support from The Co-operative Childcare. Funding is available for all levels of qualification, from GCSEs up to degree level.

Childcare provision received considerable press coverage when the Government announced proposals to increase child to carer ratios. We did not feel in a position to support the proposals (which were later withdrawn) as we believed that any increase to the existing ratio at such a young age would likely lead to a reduction in the quality of care.

Post Office

"The Group has been actively involved with its communities with over 600 community hours completed in the first half of the year"

Our Post Office Group has delivered a performance that is in line with the prior half year. During the half year sales on its key products have increased by 6%, which is a positive development for the Group.

We now have 76 Post Offices with two new branches joining the group following the Harry Tuffins acquisition and we remain the fourth largest multiple operator of Post Offices in the UK.

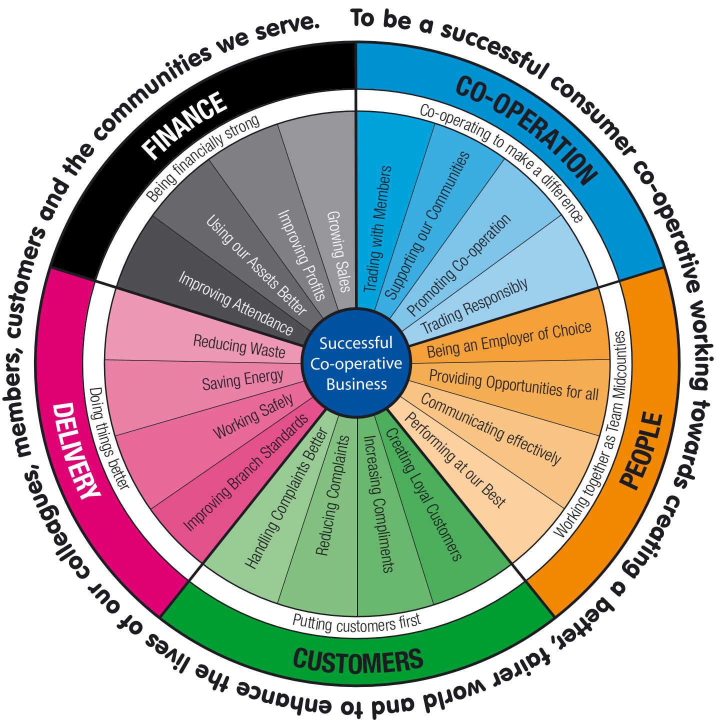
The Post Office Group has completed a restructuring of its field management team and Post Office managers were engaged in their second annual conference in February.

Colleague development has also been supported with training workshops on products and services and marketing has been placed at sites to increase awareness of some of the products the Post Office provides to customers.

The Group has been actively involved with its communities with over 600 community hours completed in the first half of the year.

The Group also continues to invest in its colleagues and 15 colleagues passed their Customer Service NVQ during the first half of the year.

Reporting our Steering Wheel



Steering wheel

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

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.

Below 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 the Annual Report & Accounts.

Co-operation

Trade with members

Percentage of trade with members: 45% (last year 41%)

Supporting our communities

Hours volunteered in community by colleagues: 24,300 (last year 18,800)

Promoting co-operation

Number of members involved in co-operative activity: 15,000
(last year 26,000)

Acting ethically

Value of ethical trade: £26 million
(last year £21 million)

People

Being an employer of choice
Percentage controllable colleague turnover as a moving annual total: 13.6% (we only started reporting controllable turnover from January 2013)

Providing opportunities for all
Percentage of colleagues with NVQ2 equivalent or above: 67%
(last year 43%)

Communicating effectively
Percentage attendance rate at Colleague Council meetings: 89%
(last year 85%)

Performing at our best
Percentage of colleagues receiving annual performance reviews: 56%
(last year 84%)

Customers

Creating loyal customers
Customer Loyalty Index: 68
(last year 67)

Reducing complaints
Number of Customer Complaints: 3,754 (last year 1,788)

Increasing compliments
Number of Customer Compliments: 4,446 (last year 2,871)

Handling complaints better
Percentage of customers who agreed we responded well to their complaints: 76% (last year 71%)

Delivery

Improving branch standards
Mystery shopper score: 95%
(last year 95%)

Working safely
Number of injury accidents/ incidents reported as a moving annual trend: 968 (last year 1,036)

Saving energy
Reduction on energy use on prior year: 7% (last year 3%)

Recycling
Percentage of waste recycled: 74%
(last year 63%)

Interim Income Statement

for the 26 weeks ended 27 July 2013

	Note	**26 weeks to 27 July 2013 (Unaudited)**	26 weeks to 28 July 2012 (Unaudited) (Restated)*	52 weeks to 26 January 2013 (Audited)(Restated)*
		£'000	£'000	£'000
Revenue	2	**434,273**	349,690	731,883
Cost of sales		**(315,895)**	(247,291)	(521,152)
Gross profit		**118,378**	102,399	210,731
Operating expenses		**(106,547)**	(92,171)	(192,507)
Operating profit before significant items		**11,831**	10,228	18,224
Significant items		**644**	2,239	(5,870)
Operating profit	3	**12,475**	12,467	12,354
Finance costs		**(2,163)**	(1,936)	(3,803)
Profit before payments to and on behalf of members		**10,312**	10,531	8,551
Payments to and on behalf of members		**(3,788)**	(4,702)	(6,620)
Profit before tax		**6,524**	5,829	1,931
Income tax expense		**(2,199)**	(1,886)	(2,244)
Profit / (Loss) for the period		**4,325**	3,943	(313)

*Restatements are detailed in note 4

Consolidated Statement of financial position

as at 27 July 2013

	As at 27 July 2013 (Unaudited)	As at 28 July 2012 (Unaudited) (Restated*)	As at 26 January 2013 (Audited) (Restated*)
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	**204,569**	199,783	198,765
Intangible assets	**55,531**	52,895	55,302
Investment property	**16,173**	16,490	15,186
Other investments	**33,880**	30,299	32,382
Deferred tax assets	**4,366**	3,119	4,366
Total non-current assets	**314,519**	302,586	306,001
Current assets			
Other investments (current)	**2,662**	2,368	2,537
Financial assets	**201**	-	81
Stocks	**25,175**	25,684	24,961
Trade and other receivables	**91,980**	41,793	73,444
Cash and cash equivalents	**18,506**	27,378	9,968
Assets held for sale	**1,435**	7,840	6,053
Total current assets	**139,959**	105,063	117,044
TOTAL ASSETS	**454,478**	407,649	423,045
LIABILITIES			
Current liabilities			
Loans and borrowings (current)	**2,493**	1,091	1,061
Financial liabilities	**4**	-	175
Trade and other payables	**146,533**	109,793	126,068
Provisions (current)	**411**	437	419
Current tax liabilities	**1,679**	2,596	830
Total current liabilities	**151,120**	113,917	128,553
Non-current liabilities			
Loans and borrowings	**48,362**	48,746	48,242
Other payables	**37,349**	34,203	35,824
Provisions	**1,428**	1,257	1,502
Pension obligations	**44,782**	40,303	45,078
Total non current liabilities	**131,921**	124,509	130,646
TOTAL LIABILITIES	**283,041**	238,426	259,199
NET ASSETS	**171,437**	169,223	163,846
EQUITY			
Share capital	**39,608**	31,648	35,637
Other reserves	**45,526**	48,264	46,422
Retained earnings	**86,303**	89,311	81,787
TOTAL EQUITY	**171,437**	169,223	163,846

*Restatements are detailed in note 4

Consolidated Statement of Cash Flows

for the 26 weeks ended 27 July 2013

	26 weeks to 27 July 2013 (Unaudited)	26 weeks to 28 July 2012 (Unaudited) (Restated*)	52 weeks to 26 January 2013 (Audited) (Restated*)
	£'000	£'000	£'000
Cash flows from operating activities			
Profit for the period	4,325	3,943	(313)
Adjustments for:			
Depreciation	3,811	4,568	7,037
Amortisation of intangible assets	47	47	95
Loss on sale of property, plant and equipment	665	0	196
Loss on sale of investment property	0	0	8
Change in fair value of investment property	0	0	986
Change in fair value of trading property	0	0	1,142
Net finance expense	2,163	1,936	3,803
Payments to and on behalf of members	3,788	4,702	6,620
Income tax expense	2,199	1,886	2,244
Change in working capital	(1,686)	12,552	(3,610)
Income tax paid	(1,286)	(5,557)	(7,338)
Net cash from operating activities	14,026	24,077	10,870
Cash flows from investing activities			
Interest received	30	47	188
Proceeds from sale of non-current assets	1,038	2	8,411
Purchase of non current assets	(6,135)	(33,141)	(44,603)
Net cash used in investing activities	(5,067)	(33,092)	(36,004)
Cash flows from financing activities			
Proceeds from issue of share capital	7,878	4,643	10,883
Repayment of share capital	(4,078)	(4,486)	(7,560)
Interest paid on borrowings	(1,163)	(1,052)	(2,058)
Repayment of bank facilities	(497)	(577)	(1,482)
Repayment of finance lease liabilities	(214)	0	(16)
Payments to and on behalf of members and share interest paid	(2,347)	(3,235)	(5,765)
Net cash used in financing activities	(421)	(4,707)	(5,998)
Net increase/(decrease) in cash and cash equivalents	8,538	(13,722)	(31,132)
Cash and cash equivalents at start of period	9,968	41,100	41,100
Cash and cash equivalents at end of period	18,506	27,378	9,968

*Restatements are detailed in note 4

Notes to the Financial Statements

1. Accounting Policies

This interim financial report is for the 26 week period ended 27 July 2013. 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 at 26 January 2013.

This financial information should be read in conjunction with the Society's Annual Report and Accounts for 2012/13, 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 2013/14 will be prepared in accordance with IFRS as adopted by the EU.

2. Revenue	**2013 Gross sales**	**2013 Revenue**	2012 Gross sales	2012 Revenue
	£'000	**£'000**	£'000	£'000
Food	**309,916**	**281,850**	288,144	264,078
Funeral	**14,806**	**14,591**	13,350	13,133
Pharmacy	**20,888**	**20,527**	21,169	20,793
Travel	**142,011**	**30,621**	72,241	26,543
Childcare	**12,021**	**12,001**	10,006	9,986
Energy	**74,754**	**70,151**	10,657	10,273
Post Offices	**1,695**	**1,684**	1,732	1,721
Flexible benefits	**14,369**	**563**	16,318	605
Other	**311**	**284**	498	477
Retail revenue	**590,771**	**432,272**	434,115	347,609
Property rentals	**2,004**	**2,001**	2,086	2,081
	592,775	**434,273**	436,201	349,690

3. Significant Items

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

Analysis of significant items:	26 weeks to 27 July 2013 (Unaudited) £'000	26 weeks to 28 July 2012 (Unaudited) (Restated) £'000	52 weeks to 26 January 2013 (Audited) (Restated) £'000
The Co-operative Group corporate dividend receivable	2,164	3,774	3774
Net loss on disposal of property, plant and equipment	(665)	0	(196)
Net loss on disposal of investment properties	0	0	(8)
Change in fair value of trading properties	0	0	(1,142)
Change in fair value of investment properties	0	0	(986)
Expense of business acquisitions	(165)	(1,535)	(2,453)
One-off expenses in relation to start up of energy business	(20)	0	(2,000)
Commmissions paid to energy switcing sites	(670)	0	(2,859)
Significant items before tax	644	2,239	(5,870)

4. Restatements

IAS19 (Revised) 'Employee Benefits' requires the return on defined benefit pension plan assets recognised in the income statement to be calculated by applying the rate used to discount the plan's liabilities, rather than using the long-term expected rate of return. In addition, costs paid by the Society in respect of administering the fund are recognised within operating expenses rather than finance costs. The impact of adopting this new standard is a decrease in profit after tax for the year ended 26 January 2013 of £2,124,000 and for the 6 months ended 28 July 2012: a decrease of £901,000 and an increase in other comprehensive income of the same amounts.

IAS12 'Income Taxes' requires deferred tax assets and liabilities to be presented net on the face of the balance sheet provided they relate to the same jurisdiction. The balance sheet at 26 January 2013 and 28 July 2012 has been restated to present these net. The impact of the restatement is a decrease in total assets for the year ended 26 January 2013 of £8,112,000 and for the 6 months ended 28 July 2012 a decrease of £9,313,000 and a decrease in total liabilities of the same amounts.

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

Introduction

We have been engaged by the Society to review the financial information on pages 16 to 20 in the half-yearly report for the six months ended 27 July 2013 which comprises Interim Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Cash flows, and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report.

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly report for the six months ended 27 July 2013 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Simon Haydn-Jones
For and on behalf of KPMG LLP
Chartered Accountants
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7 October 2013

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Co-operative House, Warwick Technology Park,
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Printed on: 100% Recycled stock
Printed by: Hickling & Squires
Designed by: The Midcounties Co-operative Design Studio