The **Midcounties Co-operative**

Half Year Report 2014/15
For the 26 weeks ended 26 July 2014

Society highlights

The Society achieved 4 stars in Business in the Community's (BITC) Corporate Responsibility Index making us one of the top CR businesses in the country

We achieved the Carbon Trust standard in recognition of our year on year energy saving

We have now raised over £420,000 for Teenage Cancer Trust – well on our way to our £500,000 year-end target

Our colleagues have given 11,585 hours back to the communities where we trade through our volunteering programme

We achieved the BITC Environmental Leadership Big Tick award for third year running

754 members attended our AGM in May - a record number

INVESTORS IN PEOPLE | Gold

CR INDEX 2013 PLATINUM BUSINESS IN THE COMMUNITY

Re-accreditation BIG TICK 2013 BUSINESS IN THE COMMUNITY

best company 2014

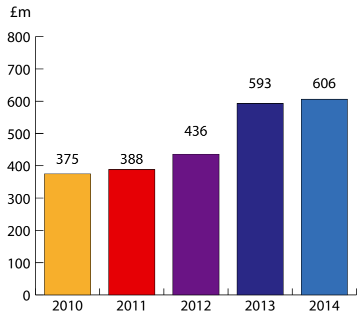
THE SUNDAY TIMES 25 BEST BIG COMPANIES TO WORK FOR 2011

THE SUNDAY TIMES 25 BEST BIG COMPANIES TO WORK FOR 2012

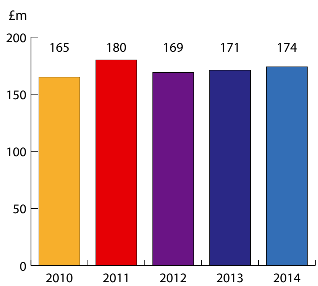
THE SUNDAY TIMES 25 BEST BIG COMPANIES TO WORK FOR 2013

THE SUNDAY TIMES 25 BEST BIG COMPANIES TO WORK FOR 2014

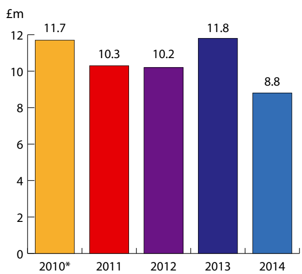
Gross sales



Net assets



Operating Profit before Significant Items



* Operating profit before significant items in 2010 is calculated as trading profit for the half 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, Healthcare, Funeral, Childcare, Energy, Post Offices and Flexible Benefits.

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

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

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

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

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

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

Our purpose

Working together to create a better, fairer world




President's overview

"In challenging times it is important to note that our profits, although significantly reduced compared to last year, are ahead of plan."

Patrick Gray OBE

The last half year has seen momentous changes both for the Co-operative Movement and for the whole of British food retailing. The final outcome of the long-drawn out debate on the future of governance in the Co-operative Group falls short of what many in the Movement had hoped for in terms of democratic accountability. But the settlement arrived at does embody strong protections against de-mutualisation and sufficient democratic safeguards to satisfy Co-operatives UK that Britain's flagship co-op will remain genuinely under member control. At the same time, guarantees have been introduced to protect the interests of the independent societies, including Midcounties, both in terms of our ownership stake in the Group and of our role in the federal buying organisation - which is critical for the future of our food business.

Meanwhile, in the outside world, food retailing itself is in the midst of a revolution. Big players, such as Tesco and Morrisons, are being hammered as shoppers abandon out of town hypermarkets in favour of the internet, local convenience stores and the cut-price discounters.

Fortunately, our Society is relatively well-placed to respond to the new realities as it already has a large number of local stores and few of the large supermarkets, which are taking the brunt of the change in shopping habits. But for all that, if our food business is to prosper, far-reaching organisational changes will be needed as well as a searching review of what it is that is unique that we can offer that will persuade the shopping public to turn to us in future rather than to our competitors.

In challenging times it is important to note that our profits, although significantly reduced compared to last year, are ahead of plan, and at the same time to report that we are investing for the future and pursuing reforms which are essential if our Society is to continue to meet the aspirations of our members and the shopping public.

The seismic changes that we have seen in the Movement and in the market place over recent months contain serious threats. But they also offer opportunities – to forge a new and more equal relationship with other societies, to strengthen the local roots of our food business, and to redefine how we present ourselves as a co-operative in a way that is relevant to the new realities that will shape the Movement and the food retail sector as the dust begins to settle.

Patrick Gray OBE
President

Chief Executive's review

"While our profits are down on last year, we are £1 million ahead of our plans which gives us confidence for the remainder of the year."

Ben Reid OBE

The last 12 months have been traumatic for the Co-operative Movement given the challenges faced by The Co-operative Group with the near collapse of its subsidiary The Co-operative Bank. There is no doubt this has had a dampening on demand for anything carrying the Co-operative Brand and certainly here at Midcounties we have not been immune.

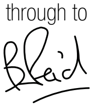
As will be seen from our trading result, our profit is £3 million less than last year. However, that doesn't tell the full story. In fact, we anticipated we would experience trading difficulties and had adjusted our expectations accordingly. So, it is pleasing to report that while our profits are down on last year, we are £1 million ahead of our plans which gives us confidence for the remainder of the year.

Overall total Society sales were 2.3% up on last year with strong performances in our Energy, Childcare and Healthcare businesses. However, Food and Funeral, the businesses most associated with The Co-operative Group, struggled to maintain sales levels. Food has also been hit, along with all the other mainstream operators, by the rapid rise of the discounters and the marked shift by customers away from larger stores. However, we are optimistic the second half of the year will be more positive given our strength in the convenience sector – the one area in food retailing that is seeing positive growth.

Our Energy business continues to be our fastest growing group with increases in customer numbers, sales and profitability as the public continue to respond positively to the underlying values behind the business. However, we anticipate that growth will slow over the second half of the year as we ease the pressure on the business while we install a new computer system to provide the platform for its next phase of growth.

Our operating profit before significant items of £8.8 million is behind 2013 by £3.0 million. The increased profitability from our Energy group has not fully offset the fall in profits we have seen in our Food and Funeral groups and the increased cost of our support services. Our net capital investment this year of £7.7 million is in line with the prior year and reflects our careful management of expenditure. Our working capital requirement has reduced from the year end, but is higher than the prior half year given the growth of our Energy business with its cyclical working capital requirements. Net borrowings at the half year are £41.6 million, a fall of £31.2 million on the year end but an increase of £9.2 million on the last half year. The Society's net assets have increased in the first six months by £1.2 million to £174.1 million.

The first half of the year has presented its challenges, particularly in our Food business. But we are ahead of plan, and are looking to maintain this momentum through to the year end.



Ben Reid OBE
Chief Executive

Food Retail

"At the half year stage we are ahead of our profit forecast although behind last year."

The first half of 2014 has been very challenging for our Food Retail business, given the general downturn in consumer spending in mainstream retail stores, increased competition and the move towards discounters.

Our Food business has achieved gross sales of £295 million which reflects a like for like sales fall of 3.4%. Much of this has been caused by competition impacts in particular stores. If the 11 most impacted stores are excluded, our like for like fall reduces to 1%. These impacts were known in advance and planned for and sales are broadly in line with our forecasts.

To offset the sales impact we have worked hard to improve our cost and stock loss controls, and at the half year stage we are ahead of our profit forecast although behind last year.

There has been a range of developments for the group, including the launch of a new-build store in Exhall and the acquisition of a former Budgens in Newent. Both of these have been embraced by their communities. We also rebranded two of our petrol stations, Georgetown in Didcot and Chinnor in Buckinghamshire, to Co-operative fascias. We have been busy working on remodeling a significant number of our stores to ensure they are delivering the right shopping mission for our customers.

We restructured our field operation at the start of 2014, creating two new Regions and fourteen new Districts. Our stores are now classified by three mission-specific formats: Community Compact, Community and Community Plus. Each District has a mix of these formats, which has improved collaboration between stores and enabled best practice to be shared more widely. Customer service has improved as measured by our Customer Loyalty Index results, which have risen strongly across all three formats.

We have also driven a trial initiative to install food bank collection points in stores and we are working closely with local charities to ensure the products collected are of the most use to those who receive them.

Travel

"Travel branches have now been rebranded to feature the blue Co-operative Travel fascia."

Travel has performed well during the first half of the year with an increase in profit on the prior year.

All Travel branches have now been rebranded to feature the blue Co-operative Travel fascia, which showcases our ABTA bonded status and Midcounties Co-operative ownership. We have introduced a new Travel Money system to provide an improved offering for members and customers transacting with us. This will ensure our customers are buying at competitive rates.

There have been a range of online developments including the launch of our first specialist website www.co-operativeski.co.uk and our Co-operative Florida Holidays programme, which launched its own consumer-facing website in July at www.co-operativefloridaholidays.co.uk.

Earlier in the year the group celebrated winning three Agent Achievement Awards, including the most prestigious award of National Large Agency of the Year, and we continue to perform well in our customer feedback surveys. As a result Travel is the first of the Society's trading groups to undergo the accreditation process for the Institute of Customer Service Award for Customer Satisfaction.

Our Consortium continues to grow with five new members recruited, all of which are trading well. The implementation of a new selling system across the Consortium members will also have a positive impact in growing independent sales and increasing profitability.

We have now grown to 105 home-based Personal Travel Agents. They offer specialist knowledge on selected destinations and holidays and are a very profitable part of the business.

Energy

"Sales have grown by 44% and customers have increased from 142,000 at the last half year to 205,000 this year."

Energy has continued to grow customer numbers, sales and profitability. Sales have grown by 44% and customers have increased from 142,000 at the last half year to 205,000 this year.

During the first half of the year the key focus has been on reviewing and improving our back office systems to allow us to serve our customers better. With the unprecedented growth of the business it has been necessary to reassess our requirements and upgrade our systems to meet these increasing needs. The group has also sourced an additional office building next to its current site to allow it to expand as the business grows.

We have launched two new products in response to customer demand. Our User Chooser tariff allows customers to choose where the electricity they consume is generated - a first in the UK; and our Fair & Square tariff, available to the first 10,000 customers who applied, provides low bills in exchange for customers managing their accounts themselves online. We were also pleased to achieve the highest renewable content of any mainstream UK electricity supplier, with 68% of all our electricity coming from renewable sources.

Healthcare

"The main development for Healthcare has been the introduction of the new Healthcare brand, which launched at our AGM in May."

Healthcare, formerly known as Pharmacy, has grown sales by 2%. This has helped deliver a performance above our forecasts and above last half year.

The main development for the business has been the introduction of our new Healthcare brand - Co-operative Healthcare, which launched at our AGM in May.

With the challenges and opportunities facing the NHS, we have made the decision to broaden our offering. We will continue to provide pharmacy dispensing but will also look to support our communities by offering a range of health services and products. The new brand will be trialled at our Cannock branch and is to be rolled out over the course of the year, supported by the website www.co-operativehealthcare.co.uk.

Our Bilston-based care home dispensing hub has continued to grow and we will shortly be trialling an automated dispensing machine to help improve efficiencies in what is a very labour intensive process. Based on the Bilston concept, we have opened a new mini-hub at Dursley. This takes the learnings from Bilston in terms of successful care home recruitment, and applies them to an existing branch, refitted to provide a professional extended dispensing environment. We are now supplying to four large care homes within the first two months of trading.

We have restructured our field team to ensure we are delivering robust support to the business and are fully focused on delivery; and to support colleague development we have launched an e-learning platform.

Finally, we have recruited a buyer to give us the skill and expertise to maximise our retail business, which has long been in the shadow of the larger dispensing business.

Flexible Benefits

"While the sales increases generated have been in line with expectations, increased costs have led to the group's performance being behind last year."

At the year end we noted that we had increased our sales team to take advantage of the rising awareness around childcare vouchers in advance of the Tax Free Childcare scheme due to be introduced in October 2015. While the sales increases generated have been in line with expectations, increased costs have led to the group's performance being behind last year.

Announcements made by the Government earlier in the year regarding changes to the way childcare is funded have caused us to review our structure. The administration of the new Tax Free Childcare scheme will be undertaken centrally by the Government, so there is no place for providers such as ourselves.

Although we will continue to administer our existing Childcare Voucher clients, the Government announcement forces a change to our plans and removes the possibility of attracting new Childcare Voucher business in the medium to long term.

As Childcare Vouchers make up the vast proportion of both the sales and profits of the group we have needed to restructure the group to ensure we provide cost effective account management and customer service to our existing clients during the period up to the introduction of the new scheme and beyond. That restructure has been undertaken during the first half of this year and is now complete.

Funeral

"In July we launched our refreshed online memorial website Remembered Forever (www.remembered-forever.co.uk)."

The Funeral Group has had a very challenging first half year. With the mild winter, the death rate has been below expectations and has reduced sales. Additionally, given the issues the wider co-operative brand has faced with the near collapse of The Co-operative Bank, we have seen an impact on our performance. This situation has begun to recover but has resulted in a sales fall of 10% on last year.

Despite these very difficult trading conditions, we continue to develop the business. We have opened two new branches in Telford's Madeley and Wellington districts, reinforcing our determination to establish our funeral service offer in Shropshire, and we have undertaken major investments in two new fleets of Mercedes-Benz ceremonial vehicles in the Walsall and Wolverhampton areas to help maintain our position as the leading funeral director in the West Midlands.

In July we launched our refreshed memorial website Remembered Forever (www.remembered-forever.co.uk). The early indications are very positive with families using the new facilities to remember their loved ones. The group has also launched a new range of memorials and keepsakes including urns, ornaments and jewellery designed to hold cremation ashes.

The group continues to place a major emphasis on its people development. Nine funeral colleagues have passed the National Association of Funeral Directors' Diploma in Funeral Arranging and Administration, which was led by our own in-house tutors for the first time. Additionally, a record 44 Funeral colleagues have passed the level 2 NVQ in Customer Service.

Childcare

“We now regularly engage with the rest of the childcare industry to influence and improve the regulation system.”

The Childcare group has seen a good performance in the first half year with a sales growth of 11% driven by improved occupancy levels.

We now have 48 nurseries all branded under The Co-operative Childcare brand. We have relaunched our Falmer nursery at Sussex University following a joint £2.1 million investment with the university. The nursery, which has been designed to a high environmental standard, received a ‘Good’ Ofsted rating within two months of opening and has already been shortlisted for a coveted NurseryWorld Award.

The group has led debates as part of a national programme to address concerns about the quality of Ofsted inspections. The industry events, which began as a discussion on social media with the hashtag #OfstedBigConversation, brought together childcare providers from across the country to discuss their experiences of unfair and inconsistent Ofsted inspections. We now regularly engage with the rest of the childcare industry to influence and improve the regulation system.

As part of the group’s commitment to offering the latest learning technologies in our nurseries we have invested in state-of-the-art ‘Tilt & Touch’ nursery tables in 21 of our settings. The innovative technology features a host of touchscreen games and activities, many of which underpin the EYFS and key stage 1 curriculum, enabling children to learn while having fun.

Our colleagues too have been given further opportunities to develop this year as the group entered into partnership with Oxford Brookes University to offer the new Early Years Teacher Status (EYTS) qualification as part of our commitment to developing teachers in every nursery. The programme takes a year to complete and is funded by the group.

Post Office

"The group will soon be rolling out its new format models, where Post Offices will be categorised based on their size and product mix."

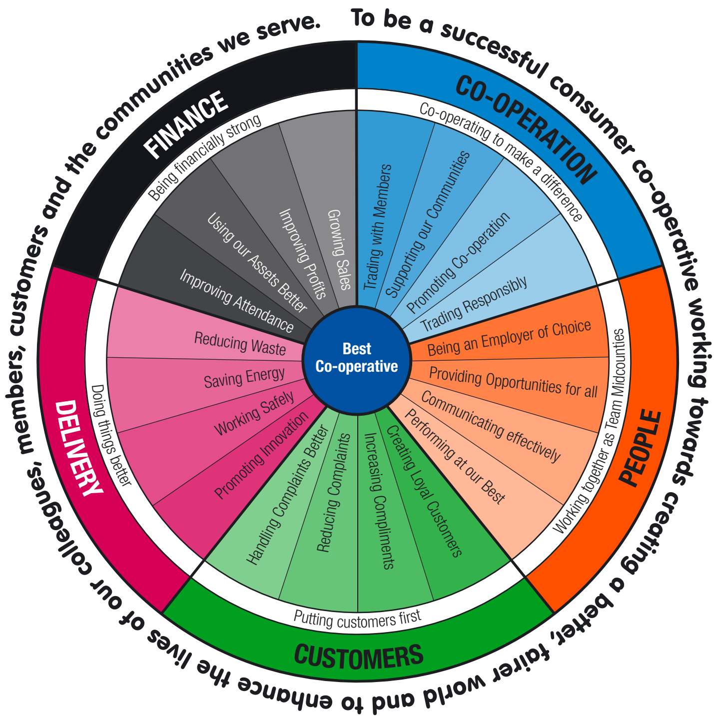
Our Post Office Group delivered a performance in line with the prior year.

The group will soon be rolling out its new format models, where Post Offices will be categorised based on their size and product mix. The group opened a new 'local' branch at Exhall Coventry, located inside the Society's convenience store. This shares the same opening times as the store, and offers core Post Office product and services.

The group also opened its first 'mains' branch in May, situated in our Kidlington store. The Post Office has a dedicated area along with a kiosk, again offering a fulller range of Post Office products and services during the same opening hours as the store.

Customers have been receptive to these developments and have welcomed the longer opening hours along with the new modern environment, and the group's customer loyalty index score has had increased by 12 points since the same time last 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.

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

Co-operation

Trade with members

Percentage of trade with members: 44% (last year 45%)

Supporting our communities

Hours volunteered in the community by colleagues: 11,600 (last year 9,800*)

Promoting co-operation

Number of members involved in co-operative activity: 13,400
(last year 15,000)

Acting ethically

Value of ethical trade: £30 million
(last year £26 million)

*To ensure the quality of our volunteering hours we no longer record the time spent by colleagues in fundraising activity; last year's figure has been restated accordingly.

People

Being an employer of choice
Percentage controllable colleague turnover as a moving annual total: 17.2% (last year 13.6%)

Providing opportunities for all
Percentage of colleagues with NVQ2 equivalent or above: 76%
(last year 67%)

Communicating effectively
Percentage attendance rate at Colleague Council meetings: 91%
(last year 89%)

Performing at our best
Percentage of colleagues receiving annual performance reviews: 51%
(last year 56%)

Customers

Creating loyal customers
Customer Loyalty Index: 71
(last year 68)

Reducing complaints
Number of customer complaints: 5,600 (last year 3,800)

Increasing compliments
Number of customer compliments: 5,800 (last year 4,400)

Handling complaints better
Percentage of customers who agreed we responded well to their complaint: 56% (last year 76%)

Delivery

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

Working safely
Number of accidents/incidents reported as a moving annual trend: 820 (last year 970)

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

Recycling
Percentage of waste recycled: 82%
(last year 74%)

Interim Income Statement

for the 26 weeks ended 26 July 2014

	Notes	**26 weeks to 26 July 2014 (Unaudited)**	26 weeks to 27 July 2013 (Unaudited)	52 weeks to 25 January 2014 (Audited)
		£'000	£'000	£'000
Revenue	2	**459,624**	434,273	863,163
Cost of sales		**(339,651)**	(315,895)	(627,009)
Gross profit		**119,973**	118,378	236,154
Operating expenses		**(111,166)**	(106,547)	(214,164)
Operating profit before significant items		**8,807**	11,831	21,990
Significant items	3	**1,501**	644	(7,121)
Operating profit		**10,308**	12,475	14,869
Finance costs		**(2,760)**	(2,163)	(4,652)
Profit before payments to and on behalf of members		**7,548**	10,312	10,217
Payments to and on behalf of members		**(4,169)**	(3,788)	(6,080)
Profit before tax		**3,379**	6,524	4,137
Income tax expense		**(1,116)**	(2,199)	(1,075)
Profit for the period		**2,263**	4,325	3,062

Consolidated Statement of financial position

as at 26 July 2014

	As at 26 July 2014 (Unaudited) £'000	As at 27 July 2013 (Unaudited) £'000	As at 25 January 2014 (Audited) £'000
ASSETS			
Non-current assets			
Property, plant and equipment	**210,061**	204,569	208,645
Intangible assets	**56,163**	55,531	55,555
Investment property	**12,751**	16,173	13,988
Other investments	**37,057**	33,880	35,977
Deferred tax assets	**3,027**	4,366	3,027
Total non-current assets	**319,059**	314,519	317,192
Current assets			
Other investments (current)	**2,895**	2,662	2,824
Financial assets	**-**	201	221
Stocks	**26,955**	25,175	27,762
Trade and other receivables	**103,219**	91,980	124,426
Cash and cash equivalents	**27,542**	18,506	19,503
Current tax recoverable	**-**	-	1,199
Assets held for sale	**4,969**	1,435	599
Total current assets	**165,580**	139,959	176,534
TOTAL ASSETS	**484,639**	454,478	493,726
LIABILITIES			
Current liabilities			
Loans and borrowings (current)	**1,174**	2,493	2,300
Financial liabilities	**667**	4	236
Trade and other payables	**159,190**	146,533	145,897
Provisions (current)	**320**	411	400
Current tax liabilities	**1,136**	1,679	-
Total current liabilities	**162,487**	151,120	148,833
Non-current liabilities			
Loans and borrowings	**67,953**	48,362	90,017
Other payables	**39,763**	37,349	39,068
Provisions	**830**	1,428	1,060
Pension obligations	**39,589**	44,782	41,961
Total non-current liabilities	**148,135**	131,921	172,106
TOTAL LIABILITIES	**310,622**	283,041	320,939
NET ASSETS	**174,017**	171,437	172,787
EQUITY			
Share capital	**40,486**	39,608	41,209
Other reserves	**45,831**	45,526	45,831
Retained earnings	**87,700**	86,303	85,747
TOTAL EQUITY	**174,017**	171,437	172,787

Consolidated Statement of Cash Flows

for the 26 weeks ended 26 July 2014

	26 weeks to 26 July 2014 (Unaudited) £'000	26 weeks to 27 July 2013 (unaudited) £'000	52 weeks to 25 January 2014 (Audited) £'000
Cash flows from operating activities			
Profit for the period	**2,263**	4,325	3,062
Adjustments for:			
Depreciation	**4,160**	3,811	8,363
Amortisation of intangible assets	**11**	47	82
(Profit)/loss on sale of property, plant and equipment	**(1,085)**	665	40
Impairment of property, plant and equipment	**34**	-	502
Impairment of investments	**-**	-	50
Change in fair value of investment property	**-**	-	1,488
Change in fair value of trading property	**-**	-	2,525
Net finance expense	**2,760**	2,163	4,652
Payments to and on behalf of members	**4,169**	3,788	6,080
Income tax expense	**1,116**	2,199	1,075
Change in working capital	**29,061**	(1,686)	(37,468)
Income tax received/(paid)	**1,835**	(1,286)	(3,283)
Net cash from operating activities	**44,324**	14,026	(12,832)
Cash flows from investing activities			
Interest received	**89**	30	229
Proceeds from sale of non-current assets	**2,294**	1,038	6,359
Purchase of non current assets	**(9,933)**	(6,135)	(21,834)
Net cash used in investing activities	**(7,550)**	(5,067)	(15,246)
Cash flows from financing activities			
Proceeds from issue of share capital	**3,887**	7,878	12,693
Repayment of share capital	**(4,834)**	(4,078)	(8,089)
Proceeds from new loans	**15,000**	-	43,000
Loan arrangement fees	**(345)**	-	(486)
Interest paid on borrowings	**(1,730)**	(1,163)	(2,301)
Repayment of bank facilities	**(38,368)**	(497)	(1,014)
Repayment of finance lease liabilities	**(294)**	(214)	(541)
Payments to and on behalf of members and share interest paid	**(2,051)**	(2,347)	(5,649)
Net cash used in financing activities	**(28,735)**	(421)	37,613
Net increase in cash and cash equivalents	**8,039**	8,538	9,535
Cash and cash equivalents at start of period	**19,503**	9,968	9,968
Cash and cash equivalents at end of period	**27,542**	18,506	19,503

Notes to the Financial Statements

1. Accounting policies

This interim financial report is for the 26 week period ended 26 July 2014. The information included 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 25 January 2014.

This financial information should be read in conjunction with the Society's Annual Report and Accounts for 2013-14, 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 2014-15 will be prepared in accordance with IFRS as adopted by the EU.

2. Revenue	**2014 Gross sales £'000**	**2014 Revenue £'000**	2013 Gross sales £'000	2013 Revenue £'000
Food	**295,444**	**268,938**	309,916	281,850
Funeral	**13,303**	**13,103**	14,806	14,591
Healthcare	**21,308**	**20,930**	20,888	20,527
Travel	**137,125**	**37,056**	142,011	30,621
Childcare	**13,378**	**13,355**	12,021	12,001
Energy	**107,522**	**101,841**	74,754	70,151
Post Offices	**1,680**	**1,670**	1,695	1,684
Flexible Benefits	**14,349**	**570**	14,369	563
Other	**184**	**156**	311	284
Retail revenue	**604,293**	**457,619**	590,771	432,272
Property rentals	**2,008**	**2,005**	2,004	2,001
	606,301	**459,624**	592,775	434,273

3. Analysis of significant items	**26 weeks to 26 July 2014 (Unaudited) £'000**	26 weeks to 27 July 2013 (Unaudited) £'000	52 weeks to 25 January 2014 (Audited) £'000
The Co-operative Group corporate dividend receivable	**0**	2,164	2,164
Net profit/(loss) on disposal of property, plant and equipment	**1,051**	(665)	(40)
Change in fair value of trading properties	**0**	0	(2,525)
Change in fair value of investment properties	**0**	0	(1,488)
Pension curtailment	**920**	0	0
Expense of business acquisitions	**(275)**	(165)	(340)
One-off expenses in relation to start up of energy business	**0**	(20)	(19)
Energy switching site commissions	**(195)**	(670)	(4,321)
Impairment of property, plant and equipment	**0**	0	(502)
Impairment of investments	**0**	0	(50)
	1,501	644	(7,121)

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 19 in the half-yearly report for the six months ended 26 July 2014 which comprises the Interim Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly report for the six months ended 26 July 2014 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Simon Purkess
For and on behalf of KPMG LLP
Chartered Accountants
One Snowhill
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Birmingham
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7 October 2014

The **Midcounties Co-operative**

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