

2019/20 Half Year Report

For the 26 weeks ended 27 July 2019



Society highlights

Over 100 new lines added to the Best of our Counties range

Healthy Living & Wellbeing programme introduced to all our nurseries

Society put on a more secure financial footing

Joint energy partnership with Octopus Energy

Over 850 pledges to our 1Change campaign

Community tidy up on World Environment Day

Front cover shows our Environmental Ambassador, Cal Major, who heads up our 1Change campaign

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



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



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



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

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

coop midcounties

OUR IMAGINED FUTURE



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



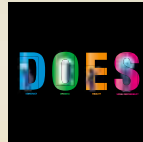
We put membership at the heart of all we do which is reflected in how we engage with members via a range of interactions.



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



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



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



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

President's overview



"...the Board is confident the action it has taken has put the Society on a much sounder strategic and financial footing"

Helen Wiseman

In my time on our Board this has been one of the most significant and challenging periods I can recall. We face the continuing uncertainty of Brexit, the economic backdrop is unclear, and we have had to address the issues posed by our Energy and Healthcare businesses.

Given these challenges, I am pleased to report that our Food Retail business, the mainstay of the Society, has continued to perform well, building on a strong summer period last year to record its 15th quarter of like-for-like sales growth.

Elsewhere, our ambitions for the Childcare business, a real growth area, remain on track. The Phone Co-op has settled into the Society returning to a profitable position and is now well-placed for future growth. Our Travel group has grown sales in what has been a volatile period for the sector as a whole and is in a good position to take advantage of the opportunities following the collapse of Thomas Cook. The Funeral business is behind last year, in part given longer term changes in the market, but mainly on account of a recent fall in the death rate.

As reported earlier this year, both our Energy and Healthcare businesses were the subject of strategic reviews after posting losses last year. Energy's performance was of particular concern as it was impacting the Society's overall financial performance and potentially affecting its longer term strength.

Your directors have spent considerable time and effort in finding solutions to these issues in order to reduce the level of risk to the Society and to protect the interests of members. We recognise this process will have caused anxiety for colleagues in both businesses and it is right to acknowledge their patience and commitment over the period.

In Energy, we are pleased to have partnered with Octopus Energy. Their leading customer service and technology coupled with our strong brand makes for a compelling customer offer. The community energy joint venture, which fits so well with our co-operative values, also puts us at the forefront of this growing area.

In Healthcare, the announcement of the sale of the majority of our pharmacy branches allows us to consider the feasibility of a more fully formed digital strategy where we can add co-operative value.

The decisions we have taken with Energy have had a considerable impact on the Society's overall financial results, which is reflected in the figures we are reporting.

While the performance of our core trading groups is ahead of last year and ahead of budget, our overall result with Energy included makes for difficult reading. That said, the Board is confident the action it has taken has put the Society on a much sounder strategic and financial footing, allowing it to focus on its growth plans free from the underlying risks which the Energy business posed.

Away from our financial performance, our AGM in May was a great demonstration of the Society's vibrant and active membership. We were given a clear mandate from members to take significant action on single-use plastics, energising our '1Change' campaign; and we were joined by co-operators from Sweden who were impressed by the level of engagement and the openness of our discussions.

The activities of our Regional Communities remain vital in reaching out and supporting a wide range of community focused organisations as we look to address real need within the communities in which our members live and work.

Throughout the Society, colleagues and active members have continued to work hard on fundraising and volunteering to bring to life our commitment to making a better, fairer world. I would particularly like to highlight World Environment Day which saw the co-ordination of 24 community tidy up events involving over 700 volunteers, and the recognition accorded to our community partnership in Cannock Chase – both fantastic examples of the difference we can make.

Finally, I would like to record my thanks to the Board and the Executive team for their hard work, and our colleagues and members for their enthusiasm and support which underpins our Society.



Helen Wiseman
President

Chief Executive's review



"...losses attributable to the Energy business are almost entirely one-off and non-recurring in nature"

Phil Ponsonby

During the first part of the year we have taken some important and difficult decisions that will shape the future of the Society. Our core trading operations have performed well and improved profitability; the partnership with Octopus Energy means we have addressed the strategic issues in our Energy business that were threatening the financial stability of the Society; and we have completed the review of our Healthcare business and are in the process of selling the majority of our pharmacy estate. The Society is now in a much stronger position going forward with a more stable platform from which it can grow.

In Energy, as many members will know, we recently announced a strategic partnership with Octopus Energy. This ensures that members and customers will continue to receive the great service they expect and allows us to continue to support our community energy propositions as part of our longer-term ambition.

The partnership marks the culmination of a lengthy process which saw us tackle the growing issues within the business. Over the last 12 – 18 months rising industry costs, record switching rates, greater price

competition and the effects of the price cap and other regulatory interventions have hit the profitability of domestic energy suppliers hard. In the case of Co-op Energy, and as anticipated, the above factors pushed the business into loss last year, a position almost all other domestic suppliers have also found themselves in.

With no expectation of improvement, we have looked for a solution which removes the financial risk of the business, while still retaining a supply proposition within our overall offer. The partnership with Octopus allows us to meet these twin objectives. In addition, Co-op Community Energy, the joint venture we have set up with Octopus, has the potential to become the fulcrum for community generation activity in the UK – a very attractive prospect.

Looking at our half year results in more detail, excluding Energy, our core businesses grew gross sales by 4.9% from £565m to £593m and operating profit before significant items (the key measure of trading performance) by 13.9% from £9.4m to £10.7m. These are encouraging results and show that the Society's core operations are performing well. There were notable performances from our Food and Childcare businesses which both showed strong growth, coming in well ahead of last year, and these groups will be a particular focus for the Society going forward.

Given the decision to partner with Octopus includes the outright sale of the Flow and GB energy businesses and the transfer of Co-op customers to their operating system, accounting rules require us to classify the Energy business as a 'discontinued operation'. As a result, we have written off the assets associated with Flow and GB including goodwill and IT, and also written off the Co-op Energy IT system. While these one off multi-million pound write downs create significant accounting losses at the half year they are a necessary step in placing your Society on a firm financial standing and in removing the risks and trading volatility which were becoming increasingly concerning within our Energy business.

The reported amount, a loss of £70.6m, which also includes the trading loss for the energy business for the half year, is very significant and results in an overall loss for the half-year of £68.0m. Of this, the trading loss of £9.6m represents a cash loss, while the remaining amounts are write-downs which do not impact our cashflows. These amounts are also reflected into the Society's balance sheet, where net assets now stand at £119.1m. A further breakdown of the overall results is provided in the table below.

To reiterate, the write-downs attributable to the Energy business are non-recurring in nature and do not affect cashflow. The full year accounts will reflect trading losses for the remainder of the year, and we will have amounts to pay for regulatory contracts in place at the date of the transaction.

Let me reassure you that your Society has the financial strength to absorb these losses and now has a solid platform for the future growth of its core businesses where we continue to see profitable growth, strong cash generation and can now focus our investment. Additionally, we can expect a positive profit position for Energy from 2020 onwards given the new arrangement with Octopus.

Core businesses	£m
Gross sales	593.0
Operating profit before significant items	10.7
Discontinued operations	£m
Energy trading loss to the half year	(9.6)
Depreciation	(3.4)
Software development costs	(19.0)
Brand, customer relationships and goodwill	(14.6)
Debt book (sold to Octopus)	(16.3)
Deferred tax (not recoverable)	(6.8)
Other (including fixtures & fittings and property)	(0.9)
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Away from our financial results, we face the near-term prospect of Brexit. Our planning has been based on a no-deal outcome as this would present the most challenges. If

this occurs, we expect some disruption to our supply chain, at least in the short term, and we have plans in place to mitigate this to the extent we can.

Earlier this year we carried out our largest ever member survey receiving nearly 9,000 responses. We wanted the views and thoughts of our members to sit right at the heart of our thinking as we looked to shape our future membership strategy. We were particularly keen to understand what makes membership valuable and how we can make members' lives easier in their day to day. The survey results are forming a key part of our thinking around, in particular, member reward as we look to ensure our offer to members remains relevant and will reflect your views as owners of the Society.

Following on from the survey, we now have a group of just under 4,000 members whose views we can seek on an ongoing basis through our online research and consulting panel on any part of the business. Thank you to all our members who have contributed their thoughts and comments and continue to do so.

The first half of the year has been challenging and I would like to acknowledge the steadfast support I have received from our colleagues, the Board and management team. It is good to report that our core businesses have performed well growing both sales and profits, and that we have resolved the issues in our Energy business. While the reported loss is disappointing, the Society is now on a much firmer footing going forward with a more stable platform from which it can grow its core business base. I am totally committed to ensuring the Society continues to live its values and demonstrate the strength of the co-operative difference in the way we work with our colleagues, engage with our communities and serve our members. I look forward to reporting at the year end on the progress we have made.



Phil Ponsonby
Chief Executive



Food Retail

"...a strong performance with sales excluding fuel of £283.6m at the half year"

We have put in a strong performance with sales excluding fuel of £283.6m at the half year and like for like growth of 1.59%. Like for like sales in our convenience stores increased by 2.86% although our supermarket like for likes saw a 0.85% decline. This is in line with overall UK trends and principally the result of a wet start to the summer, especially when compared to the heatwave last year and the boost to sales from the football World Cup. We expect to see further strong like for like sales growth as we move into the autumn.

We have continued to improve our food range and product availability and simplify our operations to help our colleagues provide an even better service. As a result, we have seen a 2.7 point increase to 72.8 in our customer satisfaction score.

We are also continuing to work with Happerley to trace the provenance of all of our Best of our Counties range of ethically and locally sourced produce, with over 100 new lines introduced into the range so far this year.

We continue to champion and support local food producers, holding our Food Glorious Food competition in Gloucestershire earlier this year. This saw the winner, Cinderhill Farm near the Forest of Dean, receiving a £10,000 prize plus consultancy and marketing support. Its range of 'Foggy' pasties and sausage rolls are now available in 20 of our

Gloucestershire stores. We are planning a second Food Glorious Food competition later in 2019. We are working hard to reduce single-use plastics in our food supply chain and in stores, including a programme to remove plastic from co-op branded fresh produce in selected stores, and in June we began a pilot at our Bourton-on-the-Water and Chipping Norton supermarkets to encourage shoppers to remove plastic waste from their shopping before they leave the store. We then reuse or dispose of the plastic responsibly.

We engaged our members, shoppers, colleagues and local school partners in our Ecobricks campaign. Ecobricks are large plastic bottles filled with surplus single-use plastic. Over 1,000 Ecobricks have been produced and used to build a new turkey shed at Fairytale Farm in Chipping Norton. More Ecobrick initiatives will be developed across our wider Food estate throughout 2020.

Many of our stores now have compostable carrier bags which can also be used as food waste caddy liners. The bags can be turned into peat-free compost along with the household food waste, saving over 3 million plastic bags a year.



Travel

“Sales of holidays in the second quarter have been strong”

Sales of holidays in the second quarter have been strong and were 14% up on last year. We anticipate this level of confidence will continue into the autumn. However, the first quarter of the year was challenging with consumer uncertainty, mainly due to Brexit, reducing the number of holidays sold and the prices people were willing to pay.

The increase in our holiday sales has been due to the success of our Consortium which saw a growth of 31% mainly from new members and specialist agents focusing on holidays outside the EU. Sales in our Direct and Retail divisions were marginally down year on year but continued to outperform the market. We have seen growth in long haul sales of 21% and Cruise of 18% and our own Co-op Holidays has had a strong start with bookings increasing by 25%.

Our digital focus has seen online sales increase by 16% and our Personal Travel Agents have grown their social media sales by 27% and increased their customer databases by 7%.

We continue to support colleague learning and development. Five colleagues have completed ILM (Institute of Leadership & Management) qualifications, and 10 an Apprenticeship with two being nominated for the National Apprenticeship of the Year Award. We supported 12 student work experience placements with two students enjoying

six month placements in Retail as part of their courses.

We have increased our support for the ‘Just a Drop’ and ‘Travel Foundation’ charities and completed our project with Just a Drop to bring safe drinking water to over 300 pupils and teachers at a secondary school in Kenya including lessons on water sanitation and hygiene education. In addition, our Consortium members have raised over £10,000 to fund a similar project for a school in Uganda. We have also been able to increase our donations to The Travel Foundation by over 300% thanks, in particular, to new donations from Consortium members and Co-op Holidays including a donation on every holiday sold.

We were delighted to be awarded, for the seventh consecutive year, the accolade of Central Large Agency of the Year at the coveted Travel Weekly Agent Achievement Awards.



Energy

“The Society has entered into a strategic partnership with Octopus Energy”

In the first half of the year the energy market has remained extremely challenging. Following the introduction of the price cap at the start of the year switching levels have been at an all-time high. Further uncertainty has been caused by the suspension of the Capacity Market mechanism after a challenge in the European Court. The mechanism ensures electricity supply continues to meet demand as more volatile and unpredictable renewable generation comes on stream. These challenges have been reflected in the business’ financial performance.

As set out in the Group Chief Executive’s report, to provide a sustainable platform for the business going forward, the Society has entered into a strategic partnership with Octopus Energy. This brings together their industry leading customer focused technology and service levels and our co-operative values and community focus. A proportion of our colleagues will transfer to Octopus, and it is appropriate to pay tribute to their efforts and contribution over what has been a difficult period.

The new arrangements will see the closure of our Ipswich and Walsall offices. We have been working closely with Octopus to provide as much support as possible to all affected colleagues. This has included holding open days with local employers, providing in-house training on job hunting, working with local authorities, trade bodies and recruitment agencies to

identify new job opportunities and providing ongoing welfare support.

We held our annual Community Energy Conference in May, as we continued to lead the way in offering a route to market for community energy schemes, based on the knowledge that they will receive a fair price for their energy. We support 79 different community energy groups by buying electricity exclusively from local community sites.

We launched our Community Power tariff with 100% renewable electricity and 25% green gas – this has been well received, indicating the potential for such products in the market. There are plans for further new products over the coming months. We also launched boiler and home maintenance cover, in conjunction with Homeserve, which includes a free boiler service in the first year.

These initiatives will receive a significant boost as our partnership arrangements with Octopus develop and we look to transform the supply of community energy in the UK and help communities come together in developing new sources of sustainable power for today’s and tomorrow’s generation.



Healthcare

“We will focus on our digital healthcare offering, cooppharmacy.coop”

Our NHS prescription business continues to face financial pressure with reduced prescribing affecting volumes and drug shortages in the market place increasing prices and hitting profit margins.

In addition, the recently announced five year contractual framework for community pharmacy has no increase in funding for the next five years and requires a significant transformation of colleague skills, operations and efficiencies.

These factors support the direction of the strategic review undertaken in 2018 as we move away from our branch business to focus on our digital healthcare offering, cooppharmacy.coop, allowing us to continue to offer our members healthcare products and services irrespective of where they live.

Our digital strategy is to offer products and support on categories where we can demonstrate our Co-operative Difference. Health education will also feature strongly in our website content to help us build long term relationships with customers.

As outlined in the Chief Executive's review, we have accepted offers on 21 of our 29 pharmacies. The remaining eight branches are located in retail stores and will make-up our pharmacy estate going forward as our focus shifts to our online propositions.

In June we were finalists at the pharmacy sector's most high-profile awards event, The Chemist and Druggist Awards. We were recognised for the men's health campaign on erectile dysfunction that we ran in 2018 both online and through other media channels.



Funeral

“Sales of our pre-paid funeral plans remained strong”

A lower than anticipated death rate in the second half of 2018/19 continued into the first half of this year, reducing the number of funerals we conducted by 11% to 3,417. However, despite a crowded market and consumer caution, sales of our pre-paid funeral plans remained strong, with 1,417 clients choosing to purchase one of our pre-need products.

We continue to adapt to client demands. The first half of the year has seen a significant increase in the proportion of ‘Simple Funerals’ and ‘Cremations Without Ceremony’ being requested. These dignified but limited specification services allow families to organise a separate celebration or memorial event independent of the traditional funeral service. In the long run, these and other changes will affect the shape of our business, so we are working through how best to address the implications.

From the second quarter we introduced a ‘Bereavement Notification Service’ as part of our support to clients. This provides free advice on a variety of matters, for example, dealing with the social media accounts, property and banking issues of those who have passed away, and initial advice on the administration of estates. It also provides the opportunity to receive more in-depth legal advice and support from the trained team if the client wishes.

We have also further developed our community outreach programme. The programme is run by our Funeral Directors and provides sector advice to local groups and organisations to help build relationships and trust so that when future needs occur we are well placed to provide support.

A second fully electric hearse has been introduced into our southern branch network in Oxford to complement the service currently offered by our existing vehicle based at Walsall. This extends our ability to offer funeral services which respect the environment.

Earlier in the year the Competition and Markets Authority and HM Treasury announced that they would be conducting full reviews into the at-need and pre-need funeral markets respectively. Given the focus on clarity for the customer, pricing, value and assured standards we are pleased to support the principle of regulation for the sector.



Childcare

"We now care for over 6,000 children every week."

We have started the year well with sales increasing by 6%. Our eight Little Pioneers nurseries have performed particularly strongly, benefitting from a rebranding and refreshed look and feel. We now care for over 6,000 children every week.

The Little Pioneers nurseries showcase our Co-operative Difference. This has been led by what matters to our members, our children and our communities.

In April, we created a Healthy Living & Wellbeing Programme which saw the unveiling of new menus accredited by both StartWell and Dr. Hilary Jones alongside an accompanying food provenance education programme. We spent time upskilling colleagues so they could educate children about where their food comes from. This included a range of activities from growing vegetables in nurseries to farm visits.

In addition, together with our on-going programme of community intergenerational events, we have continued to educate the youngest generation about social responsibility and how the simplest things can make a big difference in protecting our planet. We have been putting into practice some of the key messages:

- providing all colleagues with re-usable water bottles, leading to a reduction of 100,000 plastic bottles over a full year

- introducing washable tabards at our Little Pioneers nurseries, saving over 1,000 plastic aprons
- switching to four pint milk bottles from our supplier, using 162,000 fewer plastic bottles
- removing non-recyclable or biodegradable products from our supplier lists.

It remains challenging to attract and retain qualified practitioners who are critical to maintaining ratios and providing quality care. In response we have been promoting Childcare apprenticeships and are developing a workforce strategy looking at how temporary agency spend can be deployed into hourly rates to improve attraction, retention, quality and efficiency.

Our on-line offering has gone from strength to strength. We attracted nearly 58,000 users to our website between February and July, increasing the number who downloaded more information and booked a visit by 5% on last year. Greater use of social media has seen over 6% of our traffic come from this channel, up from 2% last year. Recognising this activity, we have been shortlisted for the Online and Social Media Award at the 2019 Nursery World Sector Awards.

Flexible Benefits

“A good start to the year with sales and profits above budget”



Flexible Benefits has had a good start to the year with sales and profits above budget despite the Childcare Voucher scheme closing to new entrants in October 2018. Whilst the wind down activity has begun, the Group is still successfully transitioning clients from competitors allowing us to bring on board new business.

Our Payroll Giving scheme, which allows employees to make donations to their chosen charities tax free, has continued to gain in popularity with 23% more donations collected and distributed to charities, and a 55% increase in the number of donors. While it is market practice to charge for this service, as part of our Co-operative Difference and in line with our values, we offer the scheme free of charge.

Our small team remains committed to supporting community activities. In the first half of the year they have collected over 2,000 items of food to support the Society's food bank initiative, helping to feed around 50 local families in need. In addition, over 100 Ecobricks have been provided by Flexible Benefits in support of the Society's 1Change campaign.

The Phone Co-op

“We are performing ahead of budget and are in a profitable position”



We are performing ahead of budget and are in a profitable position, a considerable turnaround from this time last year. However, we need to do more to grow sales and reach a wider number of people with our key products and services – a challenge for the rest of the year.

Commercially, we have continued the development of our new business support system providing a greatly enhanced residential customer experience. We continue to investigate the best way to deliver value to our members and we have developed a personalised Broadband Speed and Price guarantee. Industry data shows that fewer than 1 in 4 households have taken advantage of superfast broadband, and we know that most legacy services are on old, expensive contracts. Providing members with faster, better value broadband will help transform their households and we are finalising a campaign to add further member value to our offering.

We have been continuing to integrate our operations into the Society. The process is complete except for our accounting arrangements. Our residential business is now all located in Chipping Norton, while B2B operates from our Manchester office. In line with our commitment to members at the time of the transfer of engagements to the Society, we continue to provide opportunities for all Phone Co-op colleagues who transferred across to the Society.



Membership & Co-operative Social Responsibility

“We continue to focus our national campaigning work on Modern Slavery, 1Change and Fairtrade.”

We have put on a range of member events and school engagement sessions across our 20 Regional Community areas. This has included a Tackling Single Use Plastics event in Shropshire and a Women in Co-operation event at the Black Country Living Museum to coincide with International Women’s Day. Over 100 members attended both events. We also put on Fairtrade themed member events at our Chipping Norton and Bicton Heath food stores, engaging over 200 members.

Across our Regional Communities colleagues completed over 5,000 community volunteering hours. Cannock Chase won the Business Contribution to Volunteering Award for our partnership with ‘Monthly Alzheimer’s Support Evening’ at the Staffordshire Volunteering Awards. We have also collected over 30,000 products for local foodbanks and engaged over 9,000 young people and 5,000 members in co-operative activity.

We continue to focus our national campaigning work on Modern Slavery, our 1Change campaign to reduce single use plastics, and Fairtrade.

We carried out a range of activities for Co-op Fortnight to showcase co-operation including the annual Community Energy Conference, a Community Concert in Walsall and a ‘Promoting Co-operation’ event in Swindon in partnership with Co-op Futures. We also supported Oxford City

Council’s event celebrating co-operation in Oxford. Just under 500 people attended events over the fortnight.

Working with our Trading Groups we engaged over 400 members and over 350 young people in co-operative activity and through social media we reached out to almost 120,000 people.

On World Environment Day we co-ordinated 24 community tidy up events involving over 700 volunteers across all our Regional Communities. These events collected almost 400 bags of litter as part of our 1Change campaign, and the resulting PR and social media reached over 70,000 people.

To further support our wellbeing programme, over 500 managers and 300 colleagues have received mental health awareness training, delivered by our professional partner Springfield Mind.

We continue to promote diversity and inclusion by increasing understanding, acceptance and the valuing of differences in our communities. To further support colleagues we have introduced diversity and inclusion groups to gather information on the issues and challenges involved in delivering our Diversity and Inclusion Strategy.



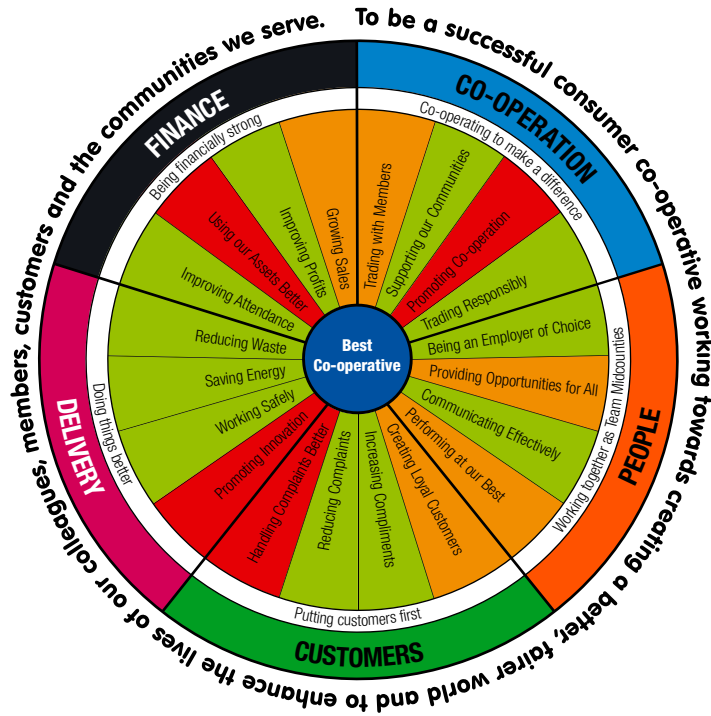
Phil Ponsonby, Chief Executive (right) and Adam Henson farmer, author and television presenter (left)

“Too many consumers have become indifferent about buying food and their decisions are based solely on price, packaging and promotions. Happerley are seeking to change that by giving consumers more information about where their food comes from which is why we are happy to support them.”



Turning Food

Reporting our Steering Wheel



Steering wheel

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

So, as well as measuring our financial performance we use our Steering Wheel to measure our performance in the key areas of co-operation, people, customers and delivery. Each section of the wheel has a number of objectives which we monitor on a monthly basis.

On these pages is an overview of how we have performed against our Steering Wheel targets during the first half of the year. We've also shown below a comparison with last year. We report more fully on these in our Annual Report.

Co-operation

Trading with members
Percentage of trade with members: 41.4% (last year 41.5%)

Supporting our communities
Hours volunteered in the community by colleagues: 17,366 (last year 16,300)

Promoting co-operation
Number of members involved in co-operative activity: 12,487 (last year 8,743)

Trading responsibly
Value of ethical trade: £32.5 million (last year £44 million)

People

Being an employer of choice
**Percentage of controllable
colleague turnover as a moving
annual total: 20.6%**
(last year 21.9%)

Communicating effectively
**Percentage attendance rate at
Colleague Council meetings:
88%** (last year 91%)

Providing opportunities for all
**Percentage of colleagues who
have achieved a Level 2
qualification or above: 91%**
(last year 85%)

Performing at our best
**Percentage of colleagues
receiving annual performance
reviews: 93%** (last year 95%)

Customers

Creating loyal customers
Customer Loyalty Index: 82
(last year 83)

Increasing compliments
**Number of customer
compliments: 15,858**
(last year 11,621)

Reducing complaints
**Number of customer
complaints: 10,797**
(last year 15,584)

Handling complaints better
**Percentage of customers who
agreed we responded well to
their complaint: 72%**
(last year 67%)

Delivery

Promoting innovation
**Number of ideas implemented
having a positive impact on
another Steering Wheel
measure: 11** (last year 28)

Saving energy
**Reduction in energy use
compared to last year: 1.9%**
(last year 2.0%)

Working safely
**Number of accidents/incidents
reported as a moving annual
trend: 752** (last year 874)

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

Consolidated Interim Statement of Comprehensive Income

for the 26 weeks ended 27 July 2019

	Notes	26 weeks to 27 July 2019 (unaudited)	26 weeks to 28 July 2018 restated (unaudited)	52 weeks to 26 January 2019 restated (audited)
		£'000	£'000	£'000
Revenue	2	403,965	365,600	770,357
Cost of sales		(287,152)	(251,428)	(545,743)
Gross profit		116,813	114,172	224,614
Operating expenses		(106,160)	(104,822)	(210,288)
Operating profit before significant items		10,653	9,350	14,326
Significant items	3	(3,275)	915	(9,489)
Operating profit		7,378	10,265	4,837
Finance costs		(3,498)	(2,269)	(5,788)
Profit/(loss) before payments to and on behalf of members		3,880	7,996	(951)
Payments to and on behalf of members		(2,007)	(1,968)	(2,032)
Profit/(loss) before tax		1,873	6,028	(2,983)
Income tax expense/(credit)		702	(422)	1,384
Profit/(loss) for the period from continuing operations		2,575	5,606	(1,599)
Loss for the period from discontinued operations net of tax	5	(70,567)	(6,904)	(9,454)
Loss for the period		(67,992)	(1,298)	(11,053)

Consolidated Statement of Financial Position

as at 27 July 2019

	Notes	27 July 2019 (unaudited) £'000	26 weeks to 28 July 2018 restated (unaudited) £'000	52 weeks to 26 January 2019 restated (audited) £'000
Non-current assets				
Property, plant and equipment		192,499	198,249	194,982
Intangible assets		98,237	138,162	136,305
Investment property		12,901	16,624	12,901
Right of use assets	4	102,460	-	-
Other investments		61,403	61,691	59,625
Deferred tax assets		4,974	3,444	11,000
Total non-current assets		472,474	418,170	414,813
Current assets				
Other investments		4,728	4,660	4,584
Stocks		25,462	24,938	25,068
Trade and other receivables		172,187	209,851	240,254
Cash and cash equivalents		13,690	11,609	15,138
Current tax recoverable		-	297	458
Assets held for sale		1,957	1,633	4,902
Total current assets		218,024	252,988	290,404
TOTAL ASSETS		690,498	671,158	705,217
LIABILITIES				
Current liabilities				
Loans and borrowings		12,742	15,213	18,888
Trade and other payables		316,707	296,816	347,695
Provisions		645	11,126	3,950
Total current liabilities		330,094	323,155	370,533
Non-current liabilities				
Loans and borrowings		30,521	47,465	39,506
Other payables		64,742	60,541	62,203
Right of use liabilities	4	105,666	-	-
Provisions		2,039	1,954	4,988
Pension obligations		38,300	46,504	41,326
Total non current liabilities		241,268	156,464	148,023
TOTAL LIABILITIES		571,362	479,619	518,556
NET ASSETS		119,136	191,539	186,661
EQUITY				
Share capital		72,227	69,040	70,645
Other reserves		41,520	41,443	41,602
Retained earnings		5,389	81,056	74,414
TOTAL EQUITY		119,136	191,539	186,661

Notes to the Financial Statements

1. Accounting Policies

This interim financial report is for the 26 week period ended 27 July 2019. The information has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in issue that are endorsed by the European Commission (EU) and effective to 27 July 2019.

The financial information should be read in conjunction with the Society's Annual Report and Accounts for 2018-19, 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 2019-20 will be prepared in accordance with IFRS as adopted by the EU.

The financial statements have been prepared on a going concern basis. The Society is confident that it has sufficient headroom to operate within the terms of its current banking facilities, and is working with lenders to secure ongoing facilities when current arrangements require renewal (November 2020 and March 2021).

2. Revenue

	2019/20 Gross sales £'000	2019/20 Revenue £'000	2018/19 Gross sales £'000
Food	307,643	277,767	299,614
Funeral	17,488	17,227	18,465
Healthcare	14,018	13,788	14,508
Travel	215,619	67,948	197,429
Childcare	18,640	18,581	17,342
Post Offices	1,402	1,390	1,384
Flexible benefits	11,111	491	12,957
Phone	5,311	5,295	1,751
Other	48	48	41
Property rentals	1,719	1,713	1,720
	592,999	404,248	565,211
Members share of profits	(283)	(283)	(1,003)
Revenue from continuing operations	592,716	403,965	564,208
Discontinued operations	198,098	186,605	190,608
Total revenue	790,814	590,570	754,816

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.

	26 weeks to 27 July 2019 (unaudited)	26 weeks to 28 July 2018 (unaudited)	52 weeks to 26 January 2019 (audited)
	£'000	£'000	£'000
Analysis of significant items:			
Net gain on disposal of property, plant, equipment, investment properties and assets held for sale	136	1,285	1,668
Change in fair value of trading properties	-	-	(7,719)
Change in fair value of investment properties	-	-	(42)
Expense of business acquisitions and disposals	(1,091)	(78)	(822)
Impairment of property, plant and equipment	-	-	274
Restructuring costs	(3,231)	(292)	(959)
Onerous lease	911	-	(1,339)
Defined benefit pension plan	-	-	(550)
Continuing operations	(3,275)	915	(9,489)
Discontinued operations	(57,409)	(146)	(671)
Total significant items	(60,684)	769	(10,160)

4. The effect of the implementation of new accounting standard IFRS 16

The adoption of IFRS 16 on 27th January 2019 resulted in the recognition of opening balances for right of use assets of £103,200k and right of use liabilities of £105,384k. Adjustments were also required to increase onerous lease provisions by £3,629k and to reduce prepayments by £1,445k.

The impact on the current year interim consolidated statement of comprehensive income has been to increase depreciation by £5,415k, increase finance costs by £2,207k and to reduce operating expenses by £6,583k. This has improved operating profit by £1,168k, as the new standard moves costs previously accounted for in operating expenses into finance costs. After the impact on finance costs the loss for the year to date has increased by £1,039k as a result of the adoption of the standard. The impact on the consolidated statement of financial position since adoption has been further additions to right of use assets of £2,815k and a reduction in the right of use liability of £1,496k.

5. Discontinued operations

Midcounties sold its energy business to Octopus Energy on Tuesday 17 September. The deal sees the cessation of activities as an energy supplier of Midcounties and as such the activities of the energy business have been classified as a discontinued operation in line with IFRS5. In accounting for this management have formed a view of the likely impairment of the assets and liabilities of the energy business and these impacts are reflected in the statements above.

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