



HALF YEARLY STATEMENT

for the 26 weeks ended 28 July 2007



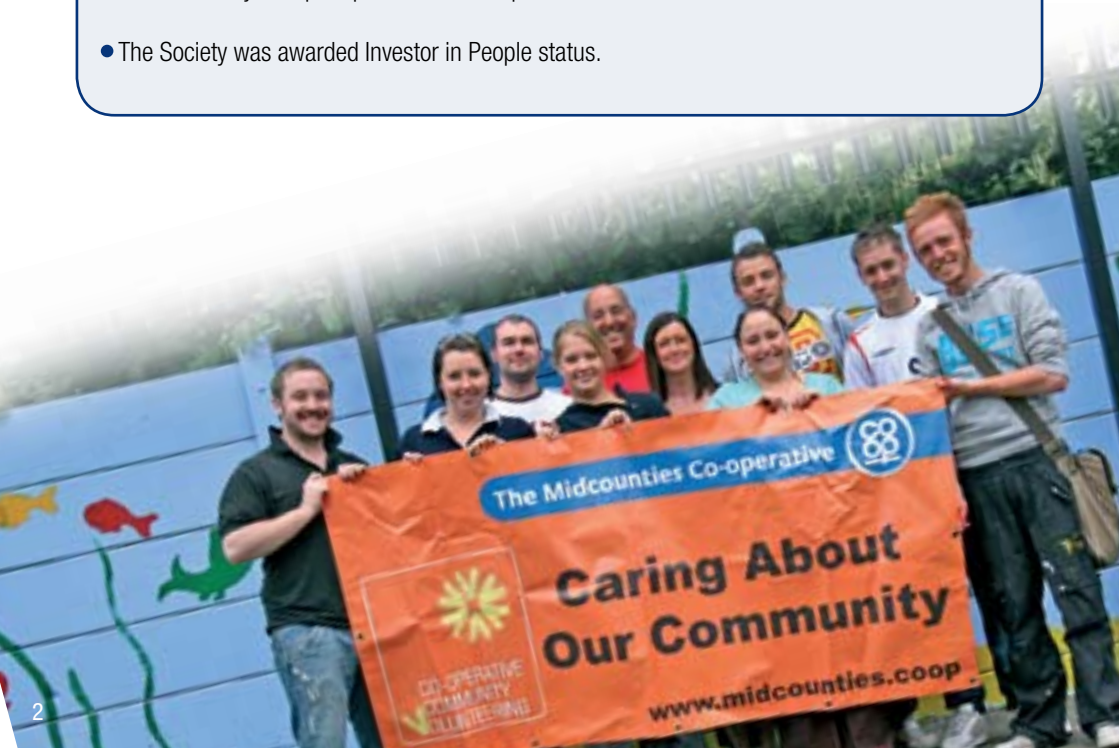
The Midcounties Co-operative is a community based retailer and service provider founded on co-operative values and principles.

Our purpose

To be a successful consumer co-operative working towards creating a better, fairer world, and to enhance the lives of our colleagues, members, customers, and the communities we serve.

Highlights for the six months to 28 July 2007

- The Society won two major awards from Business in the Community for its approach to social responsibility.
- The Food Retail Group acquired 150 new stores and 3,000 employees.
- The Funeral Group continued to exceed nationally recognised standards of customer service.
- The Motor Group reached agreement to brand a showroom Co-operative Motors.
- The Travel Group's customer service was recognised with industry awards.
- A new nursery opened at the John Radcliffe Hospital in Oxford.
- The Pharmacy Group acquired three new pharmacies.
- The Society was awarded Investor in People status.



Performance Overview

We are pleased to present the Society's report for the first half of the current financial year to 28 July 2007.

General

It is now almost two years since the merger that created The Midcounties Co-operative and the Society continues to make strong progress. This half-year statement, for the first time since the merger, offers a direct comparison with the same period last year and shows the strength of our trading performance.

One of the highlights of the first six months was the acquisition of the Stars chain of convenience stores and newsagents, which brought a further 150 stores and 3,000 employees into the Society. The integration of these stores into the Food Retail Group is already well advanced. The convenience stores are being converted to the new Co-operative brand at the rate of two per week. It is a real credit to the Food management team that they are successfully managing such a major acquisition and at the same time producing record results from the existing business.

In addition to developments in our trading activities, the Society has continued to make progress in the engagement of both colleagues and members. The ongoing development of the Colleague Councils and the formation of Diversity Focus Groups have all contributed to improved communications with our colleagues. This has now been recognised by the awarding of Investor in People status for the whole Society. The innovative agreement with The Co-operative Group allowing members to use their membership cards in over 85% of Co-op stores around the country is a first for any independent consumer co-operative.

Trading performance

The Society entered the new financial year knowing that it had cost increases of around £1 million to absorb from the second half of 2006 and with growing competition in a number of its markets. It is therefore encouraging to report that real progress has been made, not only against our budget for this year but also against the same period last year.

All trading groups have recorded increases in sales above inflation in the first six months, as shown in the table below, reflecting continued growth in market shares. The Society's trading profit in the first half-year was £5.7 million, which is similar to the result reported last year. However the 2006 result benefited from an exceptional credit of £0.7 million and the underlying trading profit was just £5.0 million.

The first half results reflect strong performances from the Food Retail, Pharmacy and Childcare groups, all of which improved against both their budgets and last year. Our Funeral business was affected by a reduction in the death rate in line with the experience of other societies. The Travel Group had to cope with the intensified competition and merger activity in their market.

Looking Ahead

The last six months has seen significant momentum within the Society in terms of our performance, colleague engagement and membership activity, and we move into the second half of the year with a degree of optimism. Trading conditions remain difficult for a number of our trading groups but there are encouraging signs of improvement in some areas.

Gross Sales	July '07 £000	July '06 £000	Change %
Food Retail	213,293	178,463	20
Motor	42,027	40,303	4
Pharmacy	18,500	16,099	15
Funeral	10,739	10,454	3
Travel	55,997	45,141	24
Childcare	8,438	3,685	129
Other	1,608	1,559	3
Total - Trading	350,602	295,704	19
Property	1,283	1,450	-12
Total	351,885	297,154	18

Vivian Woodell *Doreen Shaw* *Steve Allsopp*

Vivian Woodell
President

Doreen Shaw
Vice President

Steve Allsopp
Vice President

Trading Group Reviews

Retail

The Food Retail group has made a strong start to the new year, by ensuring that we have the right product range available and with a number of new services in the new look, refitted stores. In the first half of the year 20 refits have taken place and these stores have now been rebranded The Co-operative Food. Significant during the first six months of the year was the acquisition of 150 Stars shops. The Stars stores will continue to be integrated into the Society throughout the second half of the year.



Flooding across our trading area during July presented a significant challenge for the group. Our Chilled Distribution Centre was adversely affected by the River Thames flooding and our store on Slad Road in Stroud, Gloucestershire, was unable to re-open for a number of weeks. The challenges for the second half of the year will be to continue the refit programme at the same time as integrating Stars stores, and continuing to grow the business by future acquisitions.

Funeral

The first half of the year has seen a fall in the number of deaths recorded across the country and our trading region. As a result, we have carried out fewer funerals which impacts upon our trading performance. Despite this, the masonry division is continuing to maintain its performance. We are also pleased to report that a number of funeral homes have been converted to The Co-operative Funeralcare brand and that we are exceeding the brand quality benchmark figure of 92%, averaging 95%. This benchmark figure is measured by external mystery shop specialists. Internally our own client service satisfaction score is 98%.

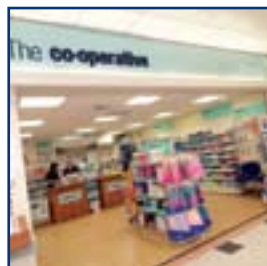


The group has continued to invest in the teams that deliver the service to our clients with a number of training courses. We have been successful with colleagues obtaining professional qualifications which are accredited by the Funeral Profession and externally. The group appointed a full time Training Officer at the beginning of the year to ensure the consistency of training. The development and refurbishment programme has continued as this is key to ensuring the group is able to provide the highest standards for our clients. Funeral homes that have had major refurbishments this year include Carterton, which we relocated to a new site, Churchdown and Penkridge.

Pharmacy

The Midcounties Co-op Asthma Initiative intends to provide all of our asthmatic patients with an extended level of support and advice on their condition. The fact is that 5.2 million people in the UK are currently receiving treatment for asthma, including 1.1 million children. There is a person with asthma in one in five households in the UK.

As part of this initiative, customers can expect two levels of consultation. The standard level is an extended counselling session over the counter and would include inhaler technique and lifestyle advice. The advanced level can be delivered by those branches accredited to undertake Medicines Use Reviews (MURS) and provides the customer with the opportunity to have an in depth counselling session in the privacy of a consultation room. Since launching the initiative in May the Pharmacy Group has undertaken 363 asthma MURS and 1,121 extended counselling sessions. Our asthma initiative is part of our commitment to ethical trading.



Motors

The Motor Group has taken a significant step forward during the last six months. In March it relaunched the Wolverhampton Volvo and Hyundai dealerships as Co-operative Motors. It is the first society in the UK to adopt a co-operative identity for a motor business. Motorworld introduced the co-operative identity to promote and celebrate its co-operative status. The name reflects how Motorworld is different from other motor groups, being member-owned, locally controlled and adhering to all the ethical values of a co-operative.



Motorists who buy or drive a Motability vehicle adapted for a disability are well-served by Motorworld. The majority of sales and service staff at the Mazda and Mitsubishi dealerships at Botley Road in Oxford and the Mazda dealership in Swindon have completed their Motability training, as have those at Motorworld Volkswagen in Kidlington. Colleagues at the Iffley Road and Newbury dealerships will shortly complete their training.

Travel

Trading during the first half of the year has been challenging with pricing becoming even more critical as on-line competitors continued to offer high levels of discount. We continued to roll out the new "The Co-operative Travel" branding across the network during the first part of the year, including key locations at Aldridge, Kingswinford, Stourport, Dudley, Halesowen and West Bromwich.



We also expanded the partnerships for our tour operating brands, Escape and Co-op Breaks. These offer flexible holidays with competitive pricing, putting together a choice of all airlines with a large selection of accommodation suppliers.

We received a number of industry accolades as winners of awards including Manager of the Year and other awards relating to customer service achievement.

The Travel Group was delighted to achieve Investor in People status. This reinforced our drive to create one business following the integration of the branches acquired late in 2006. Our carbon offset scheme was launched during the early part of 2007, initially with a slow start but now showing some success as it becomes well established.

Childcare

Our Co-operative Childcare Nurseries have made good progress in the first half of this financial year, with a steady increase in occupancy levels. This is despite the government's policy of encouraging schools to make nursery provision available for 3–5 year olds. The new nursery at the John Radcliffe Hospital in Oxford opened early in the year, is now well established and is growing consistently both in terms of reputation and occupancy. It is also pleasing to report that our Walcot nursery in Swindon has been awarded the Basic Skills Primary Quality Mark for literacy and numeracy, an award that was originally established for primary schools but has now been adapted as a pilot for nursery schools.



The Imagine Childcare Vouchers business continues to grow rapidly and now provides vouchers for over 8,000 employees from almost 300 businesses across the UK. We are confident that this business will continue to make progress with increasing emphasis amongst employers on the provision of employee benefits such as childcare vouchers. We continued to improve the group's online systems to ensure that it is able to provide excellent customer service.

Membership at Midcounties

Dividend: Better rewards, in more locations

This has been a momentous few months for membership in the Society. Following the decision at the AGM to pay a dividend at a penny a point, we then launched the new membership card to enable our members to gain rewards for trading in thousands more co-operative locations.

The new look membership card, with its bee logo, is now being used by our members to gain points in the stores of the Co-operative Group which means that cards will be accepted in 85% of Co-op stores around the country.

It is now also possible to join the Society on-line and shortly you will be able to check your points balances via our website. This is all part of our drive to provide an efficient and modern service to our members. You can expect further developments as we respond to feedback from our members.

Membership in Action

The membership team has been busy helping our members to make the most of their relationship with the Society. We currently run nine members groups spread across our trading area and we are looking to add more. If you would like to get involved locally in helping the Society to trade better, learn more about our businesses or recommend community projects for us to support, then please contact the membership team. Their contact details are on the Society web site at www.midcounties.coop.

Climate Change Conference

We are organising a major conference on climate change in response to members' concerns. The Members' Conference, to be held in Cheltenham on 27 October 2007, is called "Co-operative Action – The Best Form of Environmental Defence". We have brought together a range of exciting speakers and the day will present an excellent opportunity to better understand a subject that is in the headlines and should concern us all.



Community at Midcounties

Co-operative Community Funding

During the period February to July a total of £81,975 was given in grants and donations, helping 214 individual community groups and schools within our trading area. One of the groups who received funding was TRAX. The aim of TRAX is to channel the enthusiasm of young people (aged 13 - 19) for motor vehicles in a positive and challenging direction. They received a Community Dividend grant of £780 to buy books for their 'Wheels to Work' project in Oxford. At the opposite end of our trading area, West View Gardening Club in Shrewsbury was awarded a grant of £750 to enable the club to purchase a greenhouse suitable for disabled users (pictured).



Co-operative Community Volunteering

The Society provided 6,556 hours of community volunteering in the last six months. Colleagues from our Personnel Services Group transformed a meeting room at the Bloxwich Community Partnership headquarters in Walsall (pictured), while colleagues from our IT team swapped their computers for shovels, saws and pickaxes to help Dean Heritage Centre create an exciting, unusual and new visitor attraction – a ferret run.

Charity of the Year

Our Charity of the Year is Dogs for the Disabled, which is a national charity based in Banbury, at the heart of the Midcounties' trading area.

Dogs for the Disabled was the first charity in the UK to train assistance dogs to help physically disabled children and adults live a more independent life. Each dog helps with practical tasks from opening and closing doors and removing clothes from washing machines to picking up dropped items, such as mobile phones and remote controls.



Business in the Community Award

The Midcounties Co-operative was recognised for its continued commitment to supporting the community by receiving two awards in Business in The Community's Awards for Excellence programme. Work carried out to support rural village shops in the Oxford region won a Rural Action Award whilst a partnership project with a Wolverhampton Primary School was recognised with a Raising Achievement in Young People Award. Both entries were awarded coveted Big Ticks, which recognise that an organisation's community support is of the highest standard.

Half Year Sales & Profit Statement

		26 weeks to 28 July 2007 (Unaudited)	26 weeks to 29 July 2006 (Unaudited)	52 weeks to 27 Jan 2007 (Audited)
	Note	£'000	£'000	£'000
GROSS SALES	1	<u>351,885</u>	<u>297,154</u>	<u>596,571</u>
GROSS PROFIT		76,000	66,390	130,726
Expenses		<u>70,252</u>	<u>60,607</u>	<u>116,386</u>
Trading profit comprises:				
UNDERLYING TRADING PROFIT		5,748	5,018	9,629
Exceptional income		-	765	4,711
TRADING PROFIT		5,748	5,783	14,340
Profit on sale of properties		<u>19</u>	-	<u>631</u>
PROFIT BEFORE INTEREST		5,767	5,783	14,971
Finance costs		<u>895</u>	<u>903</u>	<u>1,998</u>
PROFIT BEFORE DISTRIBUTIONS		4,872	4,880	12,973
Payments made to and on behalf of Members	3	<u>1,664</u>	-	<u>574</u>
PROFIT BEFORE TAXATION		3,208	4,880	12,399
Taxation	4	<u>1,265</u>	<u>2,007</u>	<u>4,083</u>
TRANSFER TO RESERVES		1,943	<u>2,873</u>	<u>8,316</u>

The interim results have not been audited. Results for the 52 weeks to 27 January 2007 are accurately extracted from the audited financial statements for that period.

Half Year Net Assets Statement

	28 July 2007 (Unaudited)	29 July 2006 (Unaudited)	27 Jan 2007 (Audited)
	£'000	£'000	£'000
FIXED ASSETS	<u>233,479</u>	<u>208,283</u>	<u>217,822</u>
CURRENT ASSETS	102,813	87,942	90,401
CURRENT LIABILITIES	85,014	74,586	80,409
NET CURRENT ASSETS	<u>17,799</u>	<u>13,356</u>	<u>9,992</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	251,278	221,639	227,814
LONG TERM LIABILITIES	70,647	45,276	46,782
PROVISIONS FOR LIABILITIES & CHARGES			
Deferred taxation	4,096	4,779	4,252
NET ASSETS EXCLUDING PENSION LIABILITY	<u>176,535</u>	<u>171,584</u>	<u>176,780</u>
NET PENSION LIABILITY	12,308	23,876	13,073
NET ASSETS INCLUDING PENSION LIABILITY	<u>164,227</u>	<u>147,708</u>	<u>163,707</u>

The interim results have not been audited

Notes to the Half Year Financial Statements

1. SIGNIFICANT ACQUISITION

On 3 March 2007 the Society acquired the Stars chain of convenience stores and newsagents. The acquisition brought a further 150 stores into the Society. Gross sales were impacted by £31.3m in the half-year sales and profit statement.

2. ACCOUNTING POLICY

The half-year statement have been prepared on the basis of the accounting policies set out in the 2007 annual report.

3. DISTRIBUTIONS

Distributions are recognised when they are approved by members as required by FRS 21 (post balance sheet events).

4. TAXATION

The tax charge is based on an apportionment of the projected full year charge.

5. RATIOS

	26 weeks to 28 July 2007 (Unaudited)	26 weeks to 29 July 2006 (Unaudited)	52 weeks to 27 Jan 2007 (Audited)
Interest cover (profit before interest divided by net interest payable)	4.4	7.4	8.1
Gearing (net debt divided by net assets expressed as a percentage)	18%	13%	12%



Independent review report

Independent review report by KPMG LLP to The Midcounties Co-operative Limited (“the Society”)

We have been engaged by the Society to review the financial information set out on pages 3 and 8 to 10 for the six months ended 28 July 2007. 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 financial information.

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. As disclosed in note 2), the annual financial statements of the Society are prepared in accordance with UK Accounting Standards. The financial information included in this half-yearly report has been prepared in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board.

Our responsibility

Our responsibility is to express to the Society a conclusion on the financial information 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 28 July 2007 is not prepared, in all material respects, in accordance with the Statement Half-Yearly Financial Reports as issued by the UK Accounting Standards Board.

KPMG LLP
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1 October 2007

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