



Supplying the rural community

# Interim Report & Accounts

For six months ended 30 November 2009



# Putting the customer first is the key for Countrywide

**Countrywide is the UK's leading business in the supply of products, services and advice to the rural community throughout England and Wales.**

At Countrywide we really understand how things work in the rural community and we pride ourselves in providing an authentic range of quality seasonal products that are great value for money.

We believe the most important element of a successful business is the customer. Our developing 'Customer First' project enables us to understand our customers and meet their needs using our expert knowledge and a personalised service.

Our agriculture business has been at the heart of Countrywide for many years and supplies advice and products to meet the needs of professional farmers. Our wide product range includes high quality compound feeds, blends, straights, feed supplements through to grass seed, cereal seed, fertiliser and crop protection. Our investment in expertise, training and specialist knowledge is the key to developing successful customer relationships.

Countrywide supplies and delivers a wide range of fuel and energy products to rural homes and businesses. Heating oil, tractor diesel and road diesel is conveniently delivered direct, and we also offer fuel storage tanks and deliver LP gas in bulk and cylinders. We've installed over 40 autogas sites throughout the UK and we offer fuel cards which are accepted at garage forecourts nationwide. Biomass wood pellet boilers and renewable electricity are new areas of investment for Countrywide and all of our energy customers are supported by a dedicated telephone customer service team.

Our steadily expanding retail business operates 47 country stores with five new stores added in the last year. We focus on providing the very best shopping experience for the customer through store modernisation and delivering outstanding service. This is demonstrated through our consistently high and improving independent mystery shopper surveys results. Our stores feature a superb range of brands and quality products including our own-brand ranges. Expertise is always at the heart of our retail offer, with an increasing number of qualified specialists in every store. Our qualified specialist can dispense animal and pet health products and give up to date advice on product ranges, animal nutrition and care. Customers can also shop online 24 hours a day, seven days a week.

Countrywide has over 11,000 shareholders, 40,000 account customers and employs 1,000 staff.

For further information on Countrywide or to shop online visit:

[www.countrywidefarmers.co.uk](http://www.countrywidefarmers.co.uk)

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## **Chairman's Report**

I am pleased to report that, despite the continued impact of the economic recession and volatility in raw material prices, strong trading across our business in the six months to 30 November 2009 has resulted in improved operating profit for the half year.

Last year was the first time the business had recorded an operating profit at this stage and group operating profit has improved to £0.6m (2008: £0.2m) this half year. Market conditions remain challenging but the business continues to implement its long term strategy and this has contributed strongly to the progress that has been made.

In Agriculture raw material commodity prices stabilised during the period but were still significantly lower than the first half last year. This resulted in a reduction in sales values in the Agriculture business despite growth in compound feed tonnage of over 9% in the period. Gross margin contribution showed a very encouraging uplift on 2008. Generating compound feed volume growth proved challenging for most suppliers in the current market especially with the mild autumn weather over this reporting period. This performance reflects the continued expansion and strengthening of our agricultural team following the recruitment of high calibre sales resources. The performance of our arable business was more mixed with crop protection continuing to grow while fertiliser volumes were down on last year in line with the market. As I write this report, we have completed the acquisition of Country Keeper a small specialist game feed and supplies business which will enable us to expand our offer to this important segment of the rural community.

The Energy business has seen a decline in sales as a consequence of lower energy prices and reduced sales volumes. The mild autumn weather left sales volumes of gas and fuel 7% and 8% down respectively in the first half. While this was disappointing, the prolonged period of cold weather that has followed will enable the business to recover some of this shortfall. In the Chief Executive's report last year, we identified that the Energy business was unlikely to repeat the exceptionally strong full year performance and this remains our view. The development of our Energy business remains a key part of our strategy and we continue to explore ways to expand our trading area to a wider customer base and develop our renewable energy offer.

Retail remains the most profitable business within the group and achieved a like for like sales increase of 3.2% in the first six months of the year. All core product categories performed well with the exception of heating, not surprisingly impacted by the mild autumn. Our restructured buying teams continue to review and develop our product offer and the first half year saw strong sales from our new equestrian clothing ranges. A new store at Honiton Devon opened in July 2009 and three business acquisitions were completed in the period including Town and Country Supplies in Ashbourne Derbyshire, West Country Feeds in Taunton Somerset and a farm inputs business based in Monmouth. These follow on from the Denes acquisition last year, as we look to grow the business through a combination of new stores and the acquisition of established businesses.

Interest payable at £0.2m (2008: £0.5m) reflects the stable level of borrowings and the new competitive bank facilities put in place this time last year combined with the continued low bank base rates. FRS 17 finance charges in respect of the pension deficit are a cost of £0.6m (2008: £0.2m) resulting in a total interest cost of £0.8m (2008: £0.7m). The Group reports a loss before taxation of £0.2m (2008: £0.4m). Following the improved trading performance of the business, the Group recognised a deferred tax asset for the full amount of its trading tax losses at the end of last year. As a consequence in the first half this year, there is a £0.1m deferred tax charge representing an adjustment for tax on disallowed expenditure in the period. This compared to a £0.2m credit in 2008. The Group reports a loss after taxation of £0.3m (2008: £0.3m), in line with last year.

## **Chairman's Report** (Continued)

Net cash inflow from operating activities remained strong at £2.2m (2008 £2.2m). Net debt increased by £1.1m (2008: £1.2m) after funding the three business acquisitions and other capital expenditure in the period together with proceeds of £0.3m received from the sale of a small crop protection business in Lincolnshire.

The valuation of the closed defined benefit pension scheme under FRS 17 at 30 November 2009 gave rise to a small decrease in the pension deficit, after deferred tax, to £12.6m compared to £12.9m at 31 May 2009. Full details are provided in note 11 to the accounts. While there has been a substantial improvement in asset values following the improvement in equity markets over the period there has been an increase in calculated liabilities as discount rates have fallen. The group's net assets remain unchanged at £24.3m at 30 November 2009 compared to 31 May 2009.

The Board expects the Group's improved performance to be maintained in the second half of the year, and that full year operating profit will be well ahead of that reported last year. The group continues to implement its three year strategy, actively seeking to improve ranging and product assortment in store as well as increasing the number of Countrywide stores and to develop and grow our Agricultural and Energy businesses with an increased focus on sales resource and more targeted marketing. Our property strategy continues to look at all opportunities to generate maximum value from surplus land under our ownership. Our success is dependant on the commitment and dedication of our outstanding management and staff who have worked tirelessly over recent months to deliver the results which have been achieved in the half year. I am delighted to thank them for all of their efforts.

Nigel Hall  
Chairman  
25 February 2010

## **Registered Office and Advisors**

Registered Number	3776711	Bankers	HSBC Bank Plc 62 George White Street Bristol BS1 3BA
Registered Office	Defford Earls Croome Worcester WR8 9DF		
Auditors	PricewaterhouseCoopers LLP 31 Great George Street Bristol BS1 5QD	Solicitors	Bond Pearce LLP 3 Temple Quay Temple Back East Bristol BS1 6DZ

## **Consolidated Profit and Loss Account**

For six months ended 30 November 2009

	Six months ended 30 November 2009 £000s	Six months ended 30 November 2008 £000s
Turnover	93,281	106,470
Cost of Sales	(74,878)	(88,812)
<b>Gross Profit</b>	18,403	17,658
Other operating income	461	234
Net operating expenses	(18,242)	(17,651)
<b>Operating Profit</b>	622	241
Interest receivable	2a -	2
Interest payable	2a (205)	(497)
Other finance expense	2b (581)	(154)
<b>Loss on ordinary activities before taxation</b>	(164)	(408)
<b>Taxation</b>	3 (157)	82
<b>Loss after taxation</b>	(321)	(326)
Minority Interests in loss for the period	(10)	(13)
<b>Loss for the period</b>	(331)	(339)

There are no differences between the results stated above and their historical cost equivalent.

# **Statement of Total Consolidated Recognised Gains and Losses**

For six months ended 30 November 2009

		Six months ended 30 November 2009 £000s	Six months ended 30 November 2008 £000s
	Note		
Loss for the financial period		(331)	(339)
Actuarial gain/(loss) recognised in the pension scheme	11	502	(5,953)
Movement on deferred tax asset relating to pension scheme		(141)	1,667
Total recognised gains/(losses) for the period		<u>30</u>	<u>(4,625)</u>

# Consolidated Balance Sheet

At 30 November 2009

		At 30 November 2009 £000s	At 30 November 2008 £000s	At 31 May 2009 £000s
<b>Fixed Assets</b>				
Intangible assets				
Goodwill		803	291	263
Negative Goodwill		(830)	(936)	(883)
		<u>(27)</u>	<u>(645)</u>	<u>(620)</u>
Tangible assets	4	38,047	38,533	37,379
Investments		102	107	107
		<u>38,122</u>	<u>37,995</u>	<u>36,866</u>
<b>Current Assets</b>				
Stock	5	16,446	16,578	16,419
Debtors	6	19,984	24,774	25,084
Cash at bank and in hand		1,581	41	2,711
		<u>38,011</u>	<u>41,393</u>	<u>44,214</u>
<b>Creditors - amounts falling due within one year</b>	7	(25,931)	(39,532)	(30,587)
<b>Net Current Assets</b>		<u>12,080</u>	<u>1,861</u>	<u>13,627</u>
<b>Total Assets less Current Liabilities</b>		<u>50,202</u>	<u>39,856</u>	<u>50,493</u>
<b>Creditors - amounts falling due after more than one year</b>	8	(12,083)	(3,735)	(12,081)
<b>Provisions for liabilities and charges</b>		(1,236)	(1,265)	(1,252)
<b>Net assets excluding Pension Liability</b>		<u>36,883</u>	<u>34,856</u>	<u>37,160</u>
Net Pension Liability	11	(12,569)	(9,525)	(12,914)
<b>Net assets</b>		<u>24,314</u>	<u>25,331</u>	<u>24,246</u>
<b>Capital and Reserves</b>				
Called up share capital		16,413	16,413	16,413
Revaluation reserve		14,536	14,536	14,536
Profit and loss account	9	(6,771)	(5,738)	(6,831)
Equity shareholders' funds	10	24,178	25,211	24,118
Equity minority interests		136	120	128
<b>Total equity shareholders' funds</b>		<u>24,314</u>	<u>25,331</u>	<u>24,246</u>

The financial statements on pages 3 to 14 were approved by the Board of Directors on 25 February 2010.



# Consolidated Cash Flow Statement

For six months ended 30 November 2009

		Six months ended 30 November 2009 £000s	Six months ended 30 November 2008 £000s
<b>Net cash inflow from operating activities</b>	(a)	2,201	2,185
<b>Returns on investments and servicing of finance</b>			
Interest received		-	2
Interest paid		(197)	(440)
Interest element of finance lease payments		(5)	(7)
Dividend paid to minority interests		-	(6)
		<u>(202)</u>	<u>(451)</u>
<b>Taxation</b>			
Corporation tax paid		-	(304)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(2,440)	(2,275)
Sale of tangible fixed assets		451	22
		<u>(1,989)</u>	<u>(2,253)</u>
<b>Acquisitions and disposals</b>			
Payment to acquire trade and business		(1,072)	(354)
<b>Net cash flow before use of liquid resources and financing</b>		<u>(1,062)</u>	<u>(1,177)</u>
<b>Financing</b>			
(Decrease) in Members' loans		-	(1)
(Decrease) in Members' Retirement Scheme		(16)	(8)
Repayment of loans		-	(350)
Capital element of finance lease payments		(52)	(34)
		<u>(68)</u>	<u>(393)</u>
Net cash (outflow) from financing		<u>(68)</u>	<u>(393)</u>
<b>(Decrease) in cash for the period</b>	(b)	<u>(1,130)</u>	<u>(1,570)</u>

# Consolidated Cash Flow Statement Notes

For six months ended 30 November 2009

## (a) Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

	Six months ended 30 November 2009 £000s	Six months ended 30 November 2008 £000s
Operating profit	622	241
Depreciation charge	1,728	1,893
Net goodwill amortisation	33	8
(Profit)/Loss on disposal of fixed assets	(302)	14
Decrease/(Increase) in stock	269	(1,039)
Decrease in debtors	5,076	2,830
(Decrease) in creditors	(4,697)	(1,245)
Excess of pension contributions over charge	(558)	(533)
Share option charge	30	16
Net cash inflow from operating activities	<u>2,201</u>	<u>2,185</u>

## (b) Reconciliation of Cash Flow to movement in Net Debt

	Six months ended 30 November 2009 £000s	Six months ended 30 November 2008 £000s
Increase in Cash at bank	(1,130)	2
(Increase) in net overdraft	-	(1,572)
Decrease in loans	-	350
Decrease in Members' loans	-	1
Decrease in lease financing	52	34
Decrease in Members' Retirement Scheme	16	8
Movement in net debt for the period	<u>(1,062)</u>	<u>(1,177)</u>
Opening net debt	<u>(10,736)</u>	<u>(12,018)</u>
Closing net debt	<u>(11,798)</u>	<u>(13,195)</u>

## **Consolidated Cash Flow Statement Notes** (Continued)

For six months ended 30 November 2009

### (c) Analysis of Net Debt

Group	At 1 June 2009 £000s	Cash Flow £000s	At 30 November 2009 £000s
Cash at bank	2,711	(1,130)	1,581
Due within one year: Finance leases	(114)	(1)	(115)
Due after one year: Bank loans	(12,000)	-	(12,000)
Members' Retirement Scheme	(1,252)	16	(1,236)
Finance leases	(81)	53	(28)
	<u>(10,736)</u>	<u>(1,062)</u>	<u>(11,798)</u>

# Notes to the Financial Statements

For six months ended 30 November 2009

## 1) BASIS OF PREPARATION

The interim report and accounts are unaudited but have been formally reviewed by the auditors and their report is set out on page 15. The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 May 2009 were approved by the board on 27 August 2009 and delivered to the Registrar of Companies. The report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 237 of the Companies Act 1985.

The accounting policies used in these statements are consistent with those used in the Financial Statements at 31 May 2009, which are prepared under UK GAAP.

## 2a) INTEREST

	Six months ended 30 November 2009 £000s	Six months ended 30 November 2008 £000s
<b>Interest Receivable</b>		
Interest receivable on bank deposit	-	2
<b>Interest Payable</b>		
Interest payable on bank loans and overdrafts	200	232
Interest on invoice discounting finance	-	258
Interest payable on finance leases	5	7
	<u>205</u>	<u>497</u>

## 2b) OTHER FINANCE EXPENSE

	Six months ended 30 November 2009 £000s	Six months ended 30 November 2008 £000s
Other finance expense - pension scheme	<u>581</u>	<u>154</u>

## Notes to the Financial Statements (Continued)

For six months ended 30 November 2009

### 3) TAX ON LOSS ON ORDINARY ACTIVITIES

	30 November 2009 £000s	30 November 2008 £000s
<b>Current tax</b>		
United Kingdom corporation tax at 28% (2008: 29.7%)	55	72
Over provision in respect of prior year	(3)	-
Current tax charge	<u>52</u>	<u>72</u>
Deferred tax	105	(154)
<b>Tax on loss on ordinary activities</b>	<u>157</u>	<u>(82)</u>

### 4) TANGIBLE FIXED ASSETS

Group	Freehold Land and Buildings £000s	Leasehold Property £000s	Plant and Machinery £000s	Vehicles £000s	Total £000s
<b>Cost</b>					
At 1 June 2009	30,367	1,595	33,319	2,455	67,736
Additions	-	65	2,243	132	2,440
Disposals	-	-	(44)	(329)	(373)
<b>At 30 November 2009</b>	<u>30,367</u>	<u>1,660</u>	<u>35,518</u>	<u>2,258</u>	<u>69,803</u>
<b>Depreciation</b>					
At 1 June 2009	7,636	920	20,011	1,790	30,357
Charge for the period	281	73	1,243	131	1,728
Disposals	-	-	(24)	(305)	(329)
<b>At 30 November 2009</b>	<u>7,917</u>	<u>993</u>	<u>21,230</u>	<u>1,616</u>	<u>31,756</u>
<b>Net book value at 30 November 2009</b>	<u>22,450</u>	<u>667</u>	<u>14,288</u>	<u>642</u>	<u>38,047</u>
Net book value at 31 May 2009	<u>22,731</u>	<u>675</u>	<u>13,308</u>	<u>665</u>	<u>37,379</u>

## **Notes to the Financial Statements** (Continued)

For six months ended 30 November 2009

### 5) STOCK

	At 30 November 2009 £000s	At 30 November 2008 £000s	At 31 May 2009 £000s
Finished goods	16,446	16,578	16,419

### 6) DEBTORS

	At 30 November 2009 £000s	At 30 November 2008 £000s	At 31 May 2009 £000s
Trade debtors	15,178	20,656	19,697
Other debtors	1,705	1,734	1,378
Prepayments and accrued income	1,407	1,287	2,241
Corporation taxation	60	-	22
Deferred taxation	1,634	1,097	1,746
	<u>19,984</u>	<u>24,774</u>	<u>25,084</u>

### 7) CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 30 November 2009 £000s	At 30 November 2008 £000s	At 31 May 2009 £000s
Bank loans, advances and overdrafts	-	1,235	-
Amounts due in respect of invoice discounting	-	6,872	-
Members' loans	-	90	-
Trade creditors	19,657	22,214	23,152
Finance lease obligations	115	111	114
Corporation tax	36	80	-
Other taxation and social security	558	650	722
Accruals and deferred income	5,565	8,280	6,599
	<u>25,931</u>	<u>39,532</u>	<u>30,587</u>

## Notes to the Financial Statements (Continued)

For six months ended 30 November 2009

### 8) CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	At 30 November 2009 £000s	At 30 November 2008 £000s	At 31 May 2009 £000s
Bank loans	12,000	3,500	12,000
Finance lease obligations	28	163	81
Corporation tax	55	72	-
	<u>12,083</u>	<u>3,735</u>	<u>12,081</u>

### 9) PROFIT AND LOSS ACCOUNT

	£000s
At 1 June 2009	(6,831)
Retained loss for the period	(331)
Actuarial gain on pension scheme	502
Movement on deferred tax relating to pension liability	(141)
Share option charge	30
At 30 November 2009	<u>(6,771)</u>

### 10) RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	At 30 November 2009 £000s	At 30 November 2008 £000s
At beginning of period	24,118	29,820
Retained loss for the period	(331)	(339)
Actuarial gain/(loss) on pension scheme	502	(5,953)
Movement on deferred tax relating to pension liability	(141)	1,667
Share option charge	30	16
At end of period	<u>24,178</u>	<u>25,211</u>

## **Notes to the Financial Statements** (Continued)

For six months ended 30 November 2009

### 11) PENSION OBLIGATIONS

During the period, the Group has operated two pension schemes, the Countrywide Farmers Money Purchase Pension Scheme and the Countrywide Farmers Retirement Benefits Scheme.

A full actuarial valuation of the Countrywide Farmers Retirement Benefits Scheme was carried out at 5 April 2009 and the draft result has been updated to 30 November 2009 by a qualified independent actuary. The major assumptions used by the actuary in the valuation of the scheme under FRS17 are as detailed in the Financial Statements at 31 May 2009, with the following exceptions: discount rate of 5.75% (May 2009: 6.6%), a rate of increase in pensions in payment of 3.2% (May 2009: 3.00%) and deferred pensions of 3.2% (May 2009: 3.00%). In addition it has been assumed that 67% of members will take 25% of their pension as tax free cash (May 2009: 50%)

	At 30 November 2009 £000s	At 30 November 2008 £000s	At 31 May 2009 £000s
<b>Analysis of the amount charged to other finance expense:</b>			
Net expense	581	154	294
<b>Analysis of amount recognised in statement of total recognised gains and losses (STRGL):</b>			
Net gain/(loss) recognised	502	(5,953)	(11,070)
<b>The change in defined benefit obligation and assets for the final salary section of the scheme</b>			
Defined benefit obligation at beginning of period	66,471	69,162	69,162
Interest cost	2,162	2,225	4,387
Benefits paid	(1,903)	(1,380)	(3,342)
Actuarial loss/(gain)	6,732	(9,957)	(3,736)
Defined benefit obligation at end of period	<u>73,462</u>	<u>60,050</u>	<u>66,471</u>



## **Notes to the Financial Statements** (Continued)

For six months ended 30 November 2009

	At 30 November 2009 £000s	At 30 November 2008 £000s	At 31 May 2009 £000s
Fair value of assets at beginning of period	48,535	61,507	61,507
Expected return on assets	1,581	2,071	4,093
Employer contributions	558	533	1,083
Benefits paid	(1,903)	(1,380)	(3,342)
Actuarial gain/(loss) on assets	7,234	(15,910)	(14,806)
Fair value of assets at end of period	<u>56,005</u>	<u>46,821</u>	<u>48,535</u>
Deficit in the scheme	(17,457)	(13,229)	(17,936)
Related deferred tax asset	<u>4,888</u>	<u>3,704</u>	<u>5,022</u>
Net pension liability	<u>(12,569)</u>	<u>(9,525)</u>	<u>(12,914)</u>

# ***Independent review report to Countrywide Farmers plc***

## **Introduction**

We have been engaged by the company to review the condensed consolidated interim financial information in the interim report for the six months ended 30 November 2009, which comprises the consolidated profit and loss account, the statement of total consolidated recognised gains and losses, the consolidated balance sheet, consolidated cash flow statement and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## **Directors' responsibilities**

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Sharemark Listing Rules.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK GAAP.

## **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial information in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Sharemark Listing Rules and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **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 United Kingdom. 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 condensed consolidated interim financial information in the interim financial report for the six months ended 30 November 2009 is not prepared, in all material respects, in accordance with UK GAAP and the Sharemark Listing Rules.

PricewaterhouseCoopers LLP  
Chartered Accountants  
25 February 2010  
Bristol

# Countrywide Sites



# countrywide

Farmers plc

Supplying the rural community

## Agriculture



## Energy



## Retail



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