Interim Report & Accounts

For six months ended 30 November 2013

countrywide
Farmers plc

About Countrywide

Countrywide Farmers

Countrywide Farmers is the UK's leading supplier of products, services and advice to the rural community. With a 100 year heritage, we are at the heart of the countryside, appreciate the rural way of life and understand the challenges faced by all those who live and work in rural communities.

Focussing intently on the needs of our customers, our aim is always to meet and exceed their expectations. In the past 12 months we have delivered strong growth across key product categories and laid the foundations for continued growth in 2014.

What we do

From agriculture, equine and rural business to pet, garden, clothing and energy, we reach our customers via a multichannel offer, including our 53 country stores, a successful on-line operation, telephone traders and on farm through a comprehensive team of agricultural specialists.

Countrywide Farmers has a unique and unrivalled position in the rural community, with specialisms, services and comprehensive range of products across multiple sectors, underpinned by value for money, local relationships and a national retail presence. We are proud to play a key role in the UK food supply chain by supporting the country's farmers to run progressive, productive and profitable businesses.

Our People

The true value of Countrywide Farmers resides in the skills, knowledge and expertise of our experienced and fully qualified staff numbering over 1,000; including over 200 AMTRA qualified animal health specialists, pet and equine experts, in store Account Managers and on-farm Agronomists and Nutritionists.

More importantly our people are passionate about what they do and are chosen because of their empathy and understanding of the rural way of life. Most are also smallholders, riders or pet owners and live within rural communities. We are proud that our people often go the 'extra mile' for our customers, earning their trust and respect.

What we have achieved

Responding decisively to current economic and industry challenges, and meeting core customer requirements, Countrywide Farmers has invested in strengthening our core agricultural, equine and retail operations, with outstanding results:

- Over 1,000 people with wide ranging skills and relevant industry qualifications.
- 53 Retail Stores offering a refreshed look, layout and wider range of products.
- A successful and expanding commodity trading office in Wetherby, West Yorkshire.
- A growing Arable Team with an increased geographical coverage following the acquisitions of Heart of England Grain and agricultural merchants SM Hackett & Son.
- A growing livestock team of ruminant specialists.
- Countrywide Farmers Reward card "Countryclub" has over 130,000 members and includes a unique partnership with NFU Countryside "Countryclub Plus" and is fast becoming the largest loyalty scheme within our marketplace.
- An industry leading equestrian catalogue offering over 7,000 products.

With quality products, a personal service and sound advice remaining at the heart of all that we do, Countrywide Farmers remains committed to promoting the interests and abilities of our staff and delivering a strong, competitive advantage to all our customers.

Contents

Chairman's Report

Introduction
The impact of challenging trading conditions in retail and compound feeds and the effect of the mild autumn weather on our LPG business combined to produce a disappointing set of results, for the six months to 30 November 2013, traditionally our weaker period for trading.

Financial Results
Whilst group sales rose by 3% to £143.6m (2012: £138.8m) gross profit declined by £1m to £19.1m (2012: £20.1m), whereas administrative expenses were successfully maintained year on year. A group operating loss of £0.5m was recorded (2012: £0.5m operating profit) in what is always our weaker trading half. A loss after interest and tax of £0.7m was incurred in the six months (2012: loss of £0.1m).

Working capital remains tightly controlled with net current assets falling £1.0m from 31 May 2013. Net debt was £14.0m at 30 November 2013 (30 November 2012:£14.2m) reflecting normal seasonal trends.

The valuation of the closed defined benefit pension scheme under FRS 17 at 30 November 2013 led to a £1.0m increase in the pension deficit, after deferred tax, to £18.2m. (31 May 2013: £17.2m). There was a £0.7m improvement in asset values following rises in equity markets over the half and a £1.2m increase in calculated liabilities with discount rates unchanged but inflation rates higher. The deferred tax asset has been adjusted to reflect the future tax rate of 20% that has now been enacted. This has reduced the deferred tax asset by £0.6m. Full details are provided in note 11 to the accounts.

Tangible fixed assets fell by £0.8m since 31 May 2013, with capital expenditure of £1.4m being in line with the depreciation charge. The main movement was the disposal of the wet fuel business assets. The group's net assets fell to £20.4m at 30 November 2013 compared to £22.8m at 31 May 2013.

Operational overview
The Retail business saw like for like sales increase 2%, although margins were down year on year due to sales mix and an accelerated programme of clearing older and slow moving stock through the business. Operational costs in Retail were, in total, level with last year, despite an increase in marketing costs of £0.3m following the launch of our first Equestrian catalogue. The catalogue featured our full feed, bedding and equestrian accessories ranges and sales for these ranges ended the period 6% ahead of last year. As well as the printed catalogue, a digital version of the catalogue remains available to facilitate ordering on-line or by telephone from our customer service centre. Our E-commerce website was also refreshed and re-launched in September with sales ending the half 85% up on last year. Whilst this remains a small part of our overall business, we envisage that with further investment our online presence will provide an important support sales channel to drive growth in our retail stores. We successfully re-launched and rebranded our reward card and teamed up with NFU Countryside to offer a Countryclub PLUS card. This card combines the unique benefits of NFU Countryside membership as well as enhanced rewards for shopping in our country stores. The business also continues to develop its multichannel strategy in conjunction with the introduction of a new enterprise wide IT system.

We continue to improve the Retail store portfolio and opened a smaller footprint trade counter in Marlborough, Wiltshire in September. We relocated our store in Ashbourne, Derbyshire to larger, purpose built premises on a retail park on the edge of the town just after the half year. We also acquired the Abergavenny Farm Supplies business transferring the operations into our nearby Raglan store. A new store has just opened in Glastonbury, Somerset to further boost our coverage south of the M4.

Chairman's Report *(Continued)*

Our Agriculture and LP Gas businesses had a mixed performance in the half. Feed volumes were strong and finished the first half 14% ahead of last year. There was a significant change in mix with straights and blends well up while compound feed volumes were weaker. This mix change reduced margins which were further impacted by the levelling off of commodity prices and the competitive market. Arable sales and contribution improved significantly after the wet harvest impacted performance last year. In contrast grain trading volumes and margins remained depressed as a continuing consequence of the poor harvest in 2012. The LP Gas business had a particularly difficult half with volumes down nearly 20% with the much warmer weather reducing demand. Finally in October 2013, we sold our non-core wet fuel business to Ford fuels, a family run specialist based south of Bristol. The business continues to trade as Countrywide Oils from its old fuel depots with customers being well served by the team that moved across to Fords.

Following a recent strategic board review, Les Collins, Finance Director is leaving Countrywide. Les has made a significant contribution to improving our business over the last 7 years and I wish him well for the future. We are in the process of appointing an interim Finance Director whilst commencing the search for a permanent replacement.

Outlook

We have seen trading continue to be difficult since the end of the first half and volumes have failed to materially improve in our compound feed, grain and LP Gas businesses as the winter stays wet and mild. Retail sales in December were also down on last year and as a consequence full year operating profits are expected to be well short of the level reported last year.

I announced last summer the Board's intention to seek an AIM listing for the business that should allow a more appropriate market value and greater liquidity to be achieved for the business for the benefit of all shareholders. There are a number of enabling measures we are considering with advisers and I have nothing further to report in terms of timing at this stage. I will give you a further update when we announce our annual results in the summer.

Finally and most importantly, I'd like to thank all the staff who have remained committed and embraced the improvements being made throughout the business despite the challenges that the business has faced so far this year.

Nigel Hall
Chairman
26 February 2014

Registered Office and Advisers

Registered Number	3776711	Bankers	HSBC Bank Plc 62 George White Street Cabot Circus Bristol BS1 3BA
Registered Office	Countrywide House Asparagus Way Vale Park Evesham Worcestershire WR11 1GN		
Auditors	PricewaterhouseCoopers LLP 1 Kingsway Cardiff CF10 3PW	Solicitors	Bond Dickinson LLP 3 Temple Quay Temple Back East Bristol BS1 6DZ

Consolidated Profit and Loss Account

For six months ended 30 November 2013

	Note	Six months ended 30 November 2013 £000s	Six months ended 30 November 2012 £000s	Year ended 31 May 2013 £000s
Group Turnover		143,595	138,839	306,013
Cost of Sales		(124,513)	(118,738)	(262,243)
Gross Profit		19,082	20,101	43,770
Other operating income		113	115	227
Administrative expenses		(19,695)	(19,671)	(39, 697)
Operating (Loss)/Profit		(500)	545	4,300
Interest payable and similar charges	2a	(317)	(317)	(613)
Other finance expense	2b	(2)	(221)	(396)
(Loss)/Profit on ordinary activities before taxation		(819)	7	3,291
Taxation on (Loss)/Profit on ordinary activities	3	105	(127)	(1,044)
(Loss)/Profit on ordinary activities after taxation		(714)	(120)	2,247
Minority Interests in (loss)/profit for the period		(27)	(25)	(50)
(Loss)/profit for the period		(741)	(145)	2,197

There are no differences between the results stated above and their historical cost equivalents. These relate wholly to continuing operations.

Statement of Group Total Consolidated Recognised Gains and Losses

For six months ended 30 November 2013

	Note	Six months ended 30 November 2013 £000s	Six months ended 30 November 2012 £000s	Year ended 31 May 2013 £000s
(Loss)/Profit for the financial period		(741)	(145)	2,197
Actuarial (loss)/gain recognised in the pension scheme	12	(1,492)	112	(1,397)
Movement on deferred tax asset relating to pension scheme		299	(26)	321
Impact of tax rate change recognised in reserves		(669)	(226)	(226)
Total recognised (losses)/gains for the period		(2,603)	(285)	895

Consolidated Balance Sheet

At 30 November 2013

	Note	At 30 November 2013 £000s	At 30 November 2012 £000s	At 31 May 2013 £000s
Fixed Assets				
Intangible assets				
Goodwill		2,017	2,571	2,267
Negative Goodwill		(406)	(512)	(459)
		1,611	2,059	1,808
Tangible assets	4	36,508	38,370	37,288
Investments		125	123	133
		38,244	40,552	39,229
Current Assets				
Stock	5	20,735	20,348	20,081
Debtors	6	28,461	30,477	36,932
Cash at bank and in hand		5,475	1,938	5,001
		54,671	52,763	62,014
Creditors - amounts falling due within one year	7	(39,296)	(39,784)	(45,631)
Net Current Assets		15,375	12,979	16,383
Total Assets less Current Liabilities		53,619	53,531	55,612
Creditors - amounts falling due after more than one year	8	(14,240)	(14,441)	(14,410)
Provisions for liabilities and charges		(835)	(845)	(1,195)
Net assets excluding Pension Liability		38,544	38,245	40,007
Net Pension Liability	11	(18,174)	(16,681)	(17,165)
Net assets		20,370	21,564	22,842
Capital and Reserves				
Called up share capital		16,413	16,413	16,413
Revaluation reserve		9,701	9,701	9,701
Profit and loss account	9	(5,987)	(4,762)	(3,509)
Total shareholders' funds	10	20,127	21,352	22,605
Minority interests		243	212	237
Capital employed		20,370	21,564	22,842

The financial statements on pages 3 to 14 were approved by the Board of Directors on 26 February 2014

Consolidated Cash Flow Statement

For six months ended 30 November 2013

	Note	Six months ended 30 November 2013 £000s	Six months ended 30 November 2012 £000s
Net cash outflow from operating activities	(a)	(3,270)	(484)
Returns on investments and servicing of finance			
Interest paid		(303)	(380)
Interest element of finance lease payments		(4)	(4)
Dividend paid to minority interests		(20)	(17)
Net cash outflow from returns on investments and servicing of finance		(327)	(401)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,380)	(815)
Sale of tangible fixed assets		81	105
Net cash outflow from capital expenditure and financial investment		(1,299)	(710)
Acquisitions and disposals			
Payment to acquire trade and businesses		-	(567)
Payment to acquire other investment		-	(80)
Cash acquired with business		-	(109)
Receipt from sale of business		1,188	-
Receipt from sale of investment		9	-
Net cash flow for acquisitions and disposals		1,197	(756)
Net cash outflow before financing		(3,699)	(2,351)
Financing			
Decrease in Members' Retirement Scheme		(5)	-
Capital element of finance lease payments		(31)	(27)
Net cash outflow from financing		(36)	(27)
Decrease in cash for the period	(b)	(3,735)	(2,378)

Consolidated Cash Flow Statement Notes

For six months ended 30 November 2013

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

	Six months ended 30 November 2013 £000s	Six months ended 30 November 2012 £000s
Operating (loss)/profit	(500)	545
Depreciation charge	1,417	1,827
Net goodwill amortisation	197	432
Net (profit)/loss on disposal of business and assets	(217)	114
Increase in stock	(956)	(226)
Decrease in debtors	8,465	1,855
(Decrease) in creditors	(10,733)	(3,982)
Excess of pension contributions over charge	(1,068)	(1,046)
Share option charge	125	(3)
Net cash outflow from operating activities	(3,270)	(484)

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

	Six months ended 30 November 2013 £000s	Six months ended 30 November 2012 £000s
Decrease in Cash at bank	(3,735)	(2,378)
Decrease in lease financing	31	27
Decrease in Members' Retirement Scheme	5	-
Movement in net debt for the period	(3,699)	(2,351)
Opening net debt	(10,303)	(11,809)
Closing net debt	(14,002)	(14,160)

Consolidated Cash Flow Statement Notes *(Continued)*

For six months ended 30 November 2013

(c) Analysis of Net Debt

Group	At 1 June 2013 £000s	Cash Flow £000s	At 30 November 2013 £000s
Cash at bank	5,001	474	5,475
Due within one year:			
Cash in hand and at the bank, advances and overdrafts	(311)	(4,209)	(4,520)
Finance leases	(62)	-	(62)
Due after one year:			
Bank loans	(14,000)	-	(14,000)
Members' Retirement Scheme	(821)	5	(816)
Finance leases	(110)	31	(79)
	(10,303)	(3,699)	(14,002)

Notes to the Financial Statements

For six months ended 30 November 2013

1) BASIS OF PREPARATION

The interim report and accounts are unaudited. 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 2013 were approved by the Board on 28 August 2013 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 498 of the Companies Act 2006.

The accounting policies used in these statements are consistent with those used in the Financial Statements at 31 May 2013, which are prepared under UK GAAP.

2a) INTEREST

	Six months ended 30 November 2013 £000s	Six months ended 30 November 2012 £000s	Year ended 31 May 2013 £000s
Interest Payable			
Interest payable on bank loans and overdrafts	192	251	434
Interest on invoice discounting finance	121	62	171
Interest payable on finance leases	4	4	8
	317	317	613

2b) OTHER FINANCE EXPENSE

	Six months ended 30 November 2013 £000s	Six months ended 30 November 2012 £000s	Year ended 31 May 2013 £000s
Other finance expense - pension scheme	2	221	396

3) TAX ON PROFIT ON ORDINARY ACTIVITIES

	30 November 2013 £000s	30 November 2012 £000s	31 May 2013 £000s
Current tax			
United Kingdom corporation tax at 22.67% (2012: 23.83%)	39	70	160
Over provision in respect of prior period	-	(5)	(10)
Current tax charge	39	65	150
Deferred tax	(144)	62	894
Tax on (loss)/profit on ordinary activities	(105)	127	1,044

4) TANGIBLE FIXED ASSETS

Group	Freehold Land and Buildings £000s	Leasehold Property £000s	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost					
At 1 June 2013	28,266	1,844	44,352	1,375	75,837
Additions	-	12	1,168	200	1,380
Disposals	-	-	(2,131)	(116)	(2,247)
At 30 November 2013	28,266	1,856	43,389	1,459	74,970
Depreciation					
At 1 June 2013	8,509	1,416	27,894	730	38,549
Charge for the period	225	37	1,043	112	1,417
Disposals	-	-	(1,476)	(28)	(1,504)
At 30 November 2013	8,734	1,453	27,461	814	38,462
Net book value at 30 November 2013	19,532	403	15,928	645	36,508
Net book value at 31 May 2013	19,757	428	16,458	645	37,288

Notes to the Financial Statements *(Continued)*

For six months ended 30 November 2013

5) STOCK

	At 30 November 2013 £000s	At 30 November 2012 £000s	At 31 May 2013 £000s
Work in progress	-	12	-
Finished goods	20,735	20,336	20,081
	20,735	20,348	20,081

6) DEBTORS

	At 30 November 2013 £000s	At 30 November 2012 £000s	At 31 May 2013 £000s
Trade debtors	25,275	27,741	33,352
Other debtors	980	313	464
Prepayments and accrued income	2,206	1,944	3,116
Corporation taxation	-	206	-
Deferred taxation	-	273	-
	28,461	30,477	36,932

7) CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 30 November 2013 £000s	At 30 November 2012 £000s	At 31 May 2013 £000s
Amounts due in respect of invoice discounting	4,520	1,067	311
Trade creditors	25,145	30,505	36,563
Finance lease obligations	62	62	62
Corporation tax	39	69	161
Other taxation and social security	1,526	900	370
Accruals and deferred income	8,004	7,181	8,164
	39,296	39,784	45,631

Notes to the Financial Statements *(Continued)*

For six months ended 30 November 2013

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

	At 30 November 2013 £000s	At 30 November 2012 £000s	At 31 May 2013 £000s
Bank loans	14,000	14,000	14,000
Finance lease obligations	79	141	110
Accruals and deferred income	-	300	300
Corporation tax	161	-	-
	14,240	14,441	14,410

9) PROFIT AND LOSS ACCOUNT

	Group £000s
At 1 June 2013	(3,509)
Retained loss for the period	(741)
Actuarial loss on pension scheme	(1,492)
Movement on deferred tax recognised in reserves	(370)
Share option credit	125
At 30 November 2013	(5,987)

10) RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	At 30 November 2013 £000s	At 30 November 2012 £000s
At beginning of period	22,605	21,640
Retained (loss) for the period	(741)	(145)
Actuarial (loss)/gain on pension scheme	(1,492)	112
Movement on deferred tax recognised in reserves	(370)	(252)
Share option credit/(charge)	125	(3)
At end of period	20,127	21,352

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 2012 and has been updated to 30 November 2013 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 2013, with the following exceptions: price inflation - RPI of 3.35% (May 2013: 3.20%) and price inflation - CPI of 2.55% (May 2013: 2.40%) and rate of increase of pensions in payment of 3.15% (May 2013: 3.00%).

	At 30 November 2013 £000s	At 30 November 2012 £000s	At 31 May 2013 £000s
Analysis of the amount charged to other finance expense:			
Net expense	2	221	396
Analysis of amount recognised in statement of total recognised gains and losses (STRGL):			
Net (loss)/gain recognised	(1,492)	112	(1,397)
The change in defined benefit obligation and assets for the final salary section of the scheme			
Defined benefit obligation at beginning of period	90,918	82,785	82,785
Interest cost	1,991	2,046	4,087
Benefits paid	(1,854)	(1,742)	(3,295)
Actuarial gain on liabilities	1,032	2,243	7,341
Defined benefit obligation at end of period	92,087	85,332	90,918

Notes to the Financial Statements *(Continued)*

For six months ended 30 November 2013

	At 30 November 2013 £000s	At 30 November 2012 £000s	At 31 May 2013 £000s
Fair value of assets at beginning of period	68,627	60,185	60,185
Expected return on assets	1,989	1,825	3,691
Employer contributions	1,068	1,046	2,102
Benefits paid	(1,854)	(1,742)	(3,295)
Actuarial (loss)/gain on assets	(460)	2,355	5,944
Fair value of assets at end of period	69,370	63,669	68,627
Deficit in the scheme	(22,717)	(21,663)	(22,291)
Related deferred tax asset	4,543	4,982	5,126
Net pension liability	(18,174)	(16,681)	(17,165)

Notes

Where to find us

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