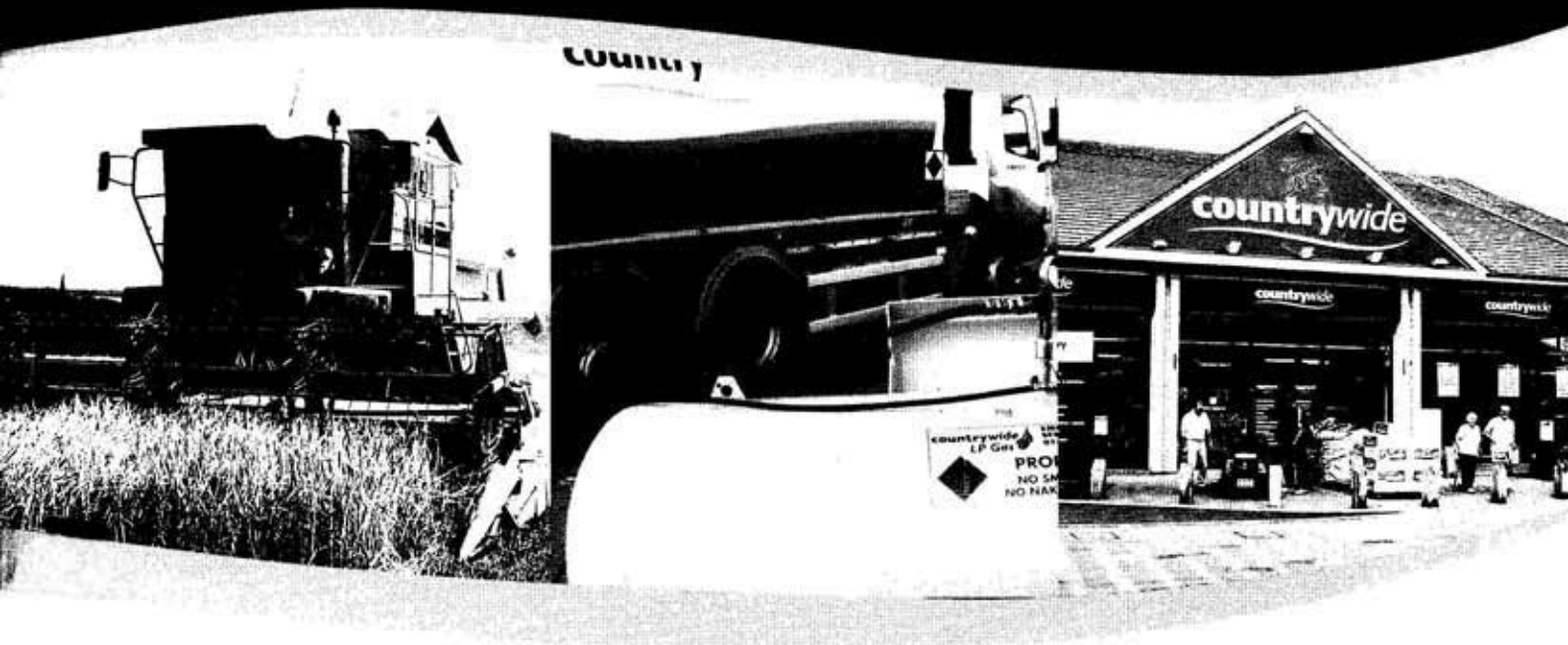


Countrywide Farmers plc  
**Annual Report and Accounts**  
year ended 31 May 2003



**countrywide**  
Farmers

## **Contents**

	Page
<i>Chairman's Statement</i>	1
<i>Managing Director's Review</i>	2 - 3
<i>Registered Office and Advisers</i>	4
<i>Directors' Report</i>	5 - 6
<i>Corporate Governance Statement</i>	7
<i>Statement of Directors' Responsibilities</i>	8
<i>Independent Auditors' Report</i>	9
<i>Consolidated Profit and Loss Account</i>	10
<i>Consolidated Balance Sheets</i>	11
<i>Parent Company Balance Sheets</i>	12
<i>Consolidated Cash Flow Statement</i>	13 - 16
<i>Notes to the Financial Statements</i>	17 - 32
<i>Notice of Annual General Meeting</i>	33

## **Chairman's Statement**

This year you will find the detailed report on our trading in the Managing Director's Review.

Countrywide Farmers plc has now completed four full years of trading. Its founder businesses, both farmer-owned, were concerned to create a company big enough to face the challenges emerging in 1999 to the largely livestock-based farms of their shareholders. The strategy of the Company has been to utilise its inherited assets to create profitable areas of business for the benefit of its shareholders and to give them an increasing stake in the agricultural supply industry as it is exited by the large multi-national companies who have dominated it since 1945.

The traditional Agricultural Feed Supply business has been successfully focused on the dairy and livestock farmers of our trading area. Within that area there has been a marked shift of production westwards, and this is particularly notable in the case of milk quota movements. It is a credit to our management that our distribution costs have been significantly reduced in this environment.

In view of the large number of our traditional customers who have converted from dairying to arable production, we have enhanced our offering to arable farmers, not least by re-entering the grain-trading arena to procure grain for our mills and have increased our purchasing power by extending our trading area eastward.

The uncertainties of the Mid-Term Review hang over us and we do not yet know either the extent or the time-scale of the decoupling of agricultural support. There are further doubts over the likely effect on the competitiveness of British Agriculture within Europe. We regard these issues as presenting greater opportunities than threats for Countrywide as many long-established suppliers abandon the industry. Where the price is right, we are looking at acquisitions and partnerships to consolidate our strong position in supplying a fast-changing farming community, many of whom are our shareholders. In the last year we have introduced expertise in Turf and Amenity Management and have bought a feed-blending operation, Franklands, in South Wales to augment our feed sales in that area. Since the year end we have taken on a national team of straights traders to augment our compound and blends business and have been joined by a team of crop specialists based at Caenby, Lincolnshire, thus extending our geographic coverage in an important arable area.

Our Retail business is fundamentally linked to agricultural supply, and it has become increasingly obvious that our diversifying farmer customers expect us to match our product offering to the needs of their expanding businesses. The opportunities so presented are manifold and we relish the challenge of developing our range to meet their changing demands. We are also conscious that many other country people, who have different product needs, use our stores for their supplies and that they, too, are an important side of our customer base. We are determined to meet the product and service requirements of all our customers and, although considerable progress was made in the last year, we recognise that much still needs to be done to improve both customer satisfaction and to achieve an adequate profit.

The Energy business continues to make an important profit contribution to Countrywide and we are expanding it where opportunities offer. There has already been notable success in developing LP Gas sales in the southern part of our trading area and Autogas has been a major factor in Energy's growth. We are aware, however, that Autogas' success depends on a continuing favourable excise tax treatment. We are aiming at developing a comprehensive Energy business, covering utilities as well as traditional bulk products.

There have been several changes of Board membership since I last reported to you. In December 2002 Simon Blower resigned from the Board and Jim Lowe joined as a Non-Executive Director bringing a lifetime's experience in the Retail Industry, latterly being on the Board of Focus-Wickes.

John Hardman became a member of the Board in January 2003 and was appointed Deputy Managing Director in May 2003. John, who is 41, has been with the Company since 1985 and was, prior to the merger, Sales Director of WMF Limited.

The skill and dedication of our staff are our greatest assets. Significantly, Countrywide achieved 'Investors in People' status during the year, which is a just indicator of the quality of our employees and demonstrates the Company's commitment to them.

*John Bush  
Chairman  
25 September 2003*

# **Managing Director's Review**

## **Overview**

The Company's trading loss of £763,000 for the year ending 31st May 2003, was struck after charging, in addition to day to day operating costs, business restructuring costs of £574,000 and recommencement of a pension charge for the defined benefit scheme of £440,000 offset by gains on disposals of surplus properties of £712,000. The resultant loss for the year compares with a loss of £1,994,000 for the prior year, an improvement of £1,231,000.

The Company's continuing operations produced an operating loss of £89,000, before charging direct costs of reorganisation of £574,000. Profits on sales of surplus properties contributed £712,000, and the net interest cost was £794,000.

## **Farming and Rural Supplies**

Compound feed sales were slightly down on last year, although this was offset by an improvement in straights sales and margins. Dairy feed sales declined slightly, but we saw an improvement in sheep feed sales. Recognising the trends in feeding and the movements in cow population, Countrywide acquired the business and plant of Franklands Farm Feeds at Carmarthen, which gave us access to a specialist blend facility and reinforced our commitment to Welsh agriculture. Early indications confirm our commercial aspirations for this acquisition.

During the current year we will be developing the alternative feeds business on a national basis to exploit this growing sector of the market.

Our cereal seed business grew its volume significantly, although margins suffered in the process and the outcome was a disappointment. Herbage seed volumes were down somewhat following the considerable reseeded which went on during FMD. Steps have been taken to stabilise the seed business which should return it to profitability.

Our fertiliser business maintained its position in the marketplace and improved its margins, despite suffering problems as a result of a suppliers factory breakdowns. The crop protection activity also improved its margins although the late spring season pushed sales forward into the current year.

During the year under review, Countrywide entered the turf and amenity market through the recruitment of experienced staff and, towards the end of the year, a decision was taken to return to grain trading, particularly to procure grain for our own feed plants. This means we are again now able to trade reciprocally with our arable farmer customers. We have also decided to install equipment to produce small packs of such products as bird seed and grass seed, which are currently procured externally.

Our Retail business had a much improved but still difficult and unsatisfactory year. We continued the process of installing modern retail practices and, despite availability of stock issues in the first half of the year, our supply chain management improved by the end of the year enabling a reduction in overall stock values, which were aided by clearance sales through both the Worcester and Kidderminster stores prior to their closure. We have seen improvements in our gross margin performance from the work put in to improve the supply chain and plans have also been put in place to enable ranges of Retail products to be purchased via mail order.

Following the store closures, total sales dropped slightly; we saw good growth in sales of harvesting products, pet foods, domestic items, and shooting accessories. However we were disappointed by our clothing and footwear sales, which has led to a reassessment of where we are positioned in those marketplaces. Gardening and garden machinery sales disappointed somewhat, although the polytunnel plant centres installed at a number of stores proved to be a success and we saw a dramatic improvement in the performance of our garden machinery servicing activity. Overall agricultural sales through the stores remained relatively static.

During the year investment was made to improve our Ledbury and Chipping Norton stores and this was well reflected in the valuation of those stores and in their trade. At both these stores, we have opened coffee shops under the Ms. Miggins franchise, which have been well received by customers. It was also pleasing to see stores opened in the previous year – Witney and Crewkerne – developing into profitable outlets. It is, however, sad to report the loss to fire of our Cirencester store just before the end of the year; temporary accommodation is now in place and the trade is being recovered. During the year, the opening of our new Malvern store was planned and this took place on 16th August 2003 – early signs are very encouraging.

## **Managing Director's Review** *(Continued)*

### **Energy**

Following its previous record year, our Energy activity earned slightly lower, although still very respectable, profits, with the fuel activity, in particular suffering from volatile oil costs as a result of the Iraqi situation.

The LP Gas business again performed strongly, although uncertainty in the energy market dented margins somewhat. With a slightly colder winter, sales tonnages were up by 16%, with a strong performance in the autogas market. Costs were controlled within budget.

Fuel sales volumes rose by 11%, but pressures on the oil price led to a 17% drop in the margin, pushing the activity into very modest loss for the first time in a considerable number of years. Activities south of the M4 have been increased and advantage has been taken of the synergies with our other businesses. Sales management has been strengthened and we plan an improved performance this year.

Our utilities business, combining the distribution of natural gas and electricity, turned in profits 58% higher than last year. The natural gas business, in a changing regulatory environment has enjoyed a period of consolidation, whilst the electricity activity has seen good growth in customer numbers on the back of an attractive offering.

### **Corporate**

The under-utilised Head Office building in Worcester was sold in January 2003, following protracted planning negotiations. The Retail staff still based there were relocated to Defford whilst the small number of Corporate staff are now based alongside the store at Upton upon Severn. The sale of Worcester has led to considerable administration cost savings.

### **Investors in People**

During the year, considerable work was put in across the Company to install the modern personnel practices necessary to achieve the 'Investors in People' standard and it is pleasing to report its award to Countrywide.

*Ian Smith*  
*Managing Director*  
*25 September 2003*

## ***Registered Office and Advisers***

Registered Office	Upton House 3 Hanley Road Upton upon Severn WR8 0HU
Auditors	PricewaterhouseCoopers LLP 31 Great George Street Bristol BS1 5QD
Bankers	Barclays Bank PLC Liverpool City Business Centre 4 Water Street Liverpool L69 2DU

# Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 31 May 2003.

Countrywide Farmers plc is not listed on a recognised stock exchange.

## Principal Activities

The principal activities of the Group are the manufacture and supply of animal feeds, the processing and supply of seeds, the supply of fertilisers and agrochemicals, the marketing of fuel, natural gas, liquid petroleum gas and the sale of a range of farm sundries and retail products to the general public.

## Results and Dividends

The Profit and Loss Account for the year is set out on page 10. The loss for the year amounted to £763,000 (2002 : Loss £1,994,000). The Directors recommend that no dividend be paid.

## Properties

The Directors have reviewed the current value of properties and are of the opinion that, compared with the balance sheet amount, there is a surplus approximating to £11,400,000.

## Creditor Payment Policy

Whilst no formal code or standard of payment practice is followed, the Group policy is to settle terms of payment with creditors when agreeing the terms of each transaction and to abide by the agreed terms of payment. There are no creditors subject to special arrangements outside of suppliers' terms and conditions. The Group has complied with this policy during the year.

## Business Review and Future Developments

The review of operations of the Group is covered in the attached Managing Director's Review.

## Directors and Directors' Interests

The Directors of the Company at 31 May 2003 and their beneficial interests in the share capital of the Company are listed below:

	Shares 2003	Shares 2002
J.B. Bush (Chairman)	73,215	73,215
T.D. Holderness-Roddam (Vice Chairman)	19,768	2,718
H.I. Smith (Managing)	5,000	5,000
J.H. Hardman (Deputy Managing) (appointed 6 January 2003)	9,623	* 9,623
D.J. Lenham (Finance)	7,200	7,200
S.T.A. Blower (resigned 6 December 2002)	2,835	2,835
R.C. Beldam	16,107	16,107
D.C.P. Gamberoni	4,938	4,938
R.A. Godwin	14,888	14,888
R.W. Green (resigned 31 October 2002)	52,254	52,254
J.M. Lowe (appointed 6 January 2003)	Nil	* Nil
M.F. Price	4,982	4,982
J.W. Pugh	41,808	41,808

\* At date of appointment

## **Directors' Report** (Continued)

### **Employees**

The Group has achieved 'Investors in People' accreditation as a clear demonstration of the value it places on all staff. Training and development of human resources is seen as fundamental to the long term growth and prosperity of the Group. Communication procedures have been established for informing all staff about the progress of the Group and the active feedback now provided from these procedures is welcomed.

### **Employment of Disabled Persons**

It is Group policy that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The Group is prepared to modify procedures or equipment, wherever this is possible, so that full use can be made of an individual's abilities.

### **Auditors**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 30 January 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

*By order of the Board  
P.A. Marfell  
Secretary  
25 September 2003*



# **Corporate Governance Statement**

Countrywide Farmers plc is not a listed company and, as such, is not required to present a Corporate Governance Statement. The Board has, however, chosen to present this voluntary statement giving details of the principal features of the Group's corporate governance arrangements.

## **Board of Directors**

The Board currently comprises three executive Directors, six non-executive farmer Directors and two independent non-executive Directors. The roles of Chairman and Managing Director are separated. The Managing Director, supported by the executive Directors, is responsible for the operating performance of the Company. A formal schedule of matters requiring Board approval is maintained covering such areas as future strategy, approval of budgets, financial results, Board appointments and dividend policy. The Board normally meets once a month and additional meetings are called when required. Directors are able, if necessary, to take independent professional advice, in the furtherance of their duties, at the Company's expense.

All Directors are subject to retirement by rotation and their re-election is a matter for the shareholders.

The appointment of new Directors to the Board is considered by the whole Board.

## **Remuneration Committee**

The Remuneration Committee consists of four non-executive Directors, chaired by Mr. D.C.P. Gamberoni. Its remit is to determine appropriate short and long-term total reward packages for the executive Directors of the Company. The Remuneration Committee also satisfies itself that good practices apply to all Company employees through the relevant management structures.

## **Audit Committee**

The Audit Committee, consisting of four non-executive Directors and chaired by Mr. R.A. Godwin, identifies and establishes the Group's requirements regarding risk management, internal control, financial reporting, and accounting policies.

The Committee, through its meetings which are attended, by invitation, by appropriate executive Directors and the external Auditors, continues to make progress towards achieving its objectives.

Risk management techniques are continually evaluated and refined to match the ever changing circumstances of the Group's operations.

## **Going Concern**

The Directors confirm that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors have adopted the going concern basis in preparing the financial statements.

*By order of the Board  
P.A. Marfell  
Secretary  
25 September 2003*

## ***Statement of Directors' Responsibilities***

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In addition, they are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that suitable accounting policies have been used and applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2003 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

*By order of the Board  
P.A. Marfell  
Secretary  
25 September 2003*

# ***Independent Auditors' Report to the Members of Countrywide Farmers plc***

We have audited the financial statements, which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement and the related notes.

## **Respective responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Managing Director's Report and the Directors' Report.

## **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 May 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Bristol  
25 September 2003

## Consolidated Profit and Loss Account

For the year ended 31 May 2003

	Note	Group 2003 £000s	Interest in Joint Venture 2003 £000s	Group Total 2003 £000s	Group 2002 £000s	Interest in Joint Venture 2002 £000s	Group Total 2002 £000s
Turnover: continuing operations	2	118,543	3,289	121,832	124,758	2,948	127,706
Cost of Sales		(88,830)	(1,579)	(90,409)	(95,864)	(1,210)	(97,074)
<b>Gross Profit</b>		<b>29,713</b>	<b>1,710</b>	<b>31,423</b>	<b>28,894</b>	<b>1,738</b>	<b>30,632</b>
Other operating income		138	-	138	139	-	139
Net operating expenses	3	(30,938)	(1,286)	(32,224)	(31,016)	(1,256)	(32,272)
<b>Operating (Loss)/Profit</b>							
Continuing operations before reorganisation		(513)	424	(89)	(767)	482	(285)
Reorganisation costs	4	(574)	-	(574)	(1,216)	-	(1,216)
<b>Total Operating (Loss)/Profit: continuing</b>		<b>(1,087)</b>	<b>424</b>	<b>(663)</b>	<b>(1,983)</b>	<b>482</b>	<b>(1,501)</b>
<b>Non-operating items:</b>							
Profit on sale of Tangible Fixed Assets	5	712	-	712	500	-	500
Loss on sale or closure of businesses	6	-	-	-	(86)	-	(86)
<b>(Loss)/Profit before interest and taxation</b>		<b>(375)</b>	<b>424</b>	<b>49</b>	<b>(1,569)</b>	<b>482</b>	<b>(1,087)</b>
Interest receivable	7	6	45	51	2	27	29
Interest payable	7	(845)	-	(845)	(915)	(1)	(916)
<b>(Loss)/Profit on ordinary activities before taxation</b>		<b>(1,214)</b>	<b>469</b>	<b>(745)</b>	<b>(2,482)</b>	<b>508</b>	<b>(1,974)</b>
Taxation of the Group	9	49	(30)	19	(218)	216	(2)
<b>(Loss)/Profit after taxation</b>		<b>(1,165)</b>	<b>439</b>	<b>(726)</b>	<b>(2,700)</b>	<b>724</b>	<b>(1,976)</b>
Minority Interests in profit for the year		(37)	-	(37)	(18)	-	(18)
<b>(Loss)/Profit for the year</b>		<b>(1,202)</b>	<b>439</b>	<b>(763)</b>	<b>(2,718)</b>	<b>724</b>	<b>(1,994)</b>

There were no recognised gains or losses other than the (loss)/profit for the financial year.

The historical cost (loss)/profit for the year is the same as the (loss)/profit for the year reported above.

The notes on pages 14 to 32 form part of these financial statements.

# Consolidated Balance Sheets

At 31 May 2003

	Note	Group 2003 £000s	Interest in Joint Venture 2003 £000s	Group Total 2003 £000s	Group 2002 £000s	Interest in Joint Venture 2002 £000s	Group Total 2002 £000s
<b>Fixed Assets</b>							
Intangible assets	11	218	-	218	202	-	202
Tangible assets	12	18,363	2,309	20,672	18,796	2,148	20,944
Investments	13	288	-	288	284	-	284
Investment in Joint Venture		1,131	(1,131)	-	1,131	(1,131)	-
		<u>20,000</u>	<u>1,178</u>	<u>21,178</u>	<u>20,413</u>	<u>1,017</u>	<u>21,430</u>
<b>Current Assets</b>							
Stock	14	11,541	46	11,587	13,129	76	13,205
Debtors	15	16,705	534	17,239	14,985	479	15,464
		<u>28,246</u>	<u>580</u>	<u>28,826</u>	<u>28,114</u>	<u>555</u>	<u>28,669</u>
Creditors - amounts falling due within one year	16	(24,633)	406	(24,227)	(24,255)	124	(24,131)
Net Current Assets		<u>3,613</u>	<u>986</u>	<u>4,599</u>	<u>3,859</u>	<u>679</u>	<u>4,538</u>
Total Assets less Current Liabilities		<u>23,613</u>	<u>2,164</u>	<u>25,777</u>	<u>24,272</u>	<u>1,696</u>	<u>25,968</u>
Creditors - amounts falling due after more than one year	17	(6,907)	-	(6,907)	(6,327)	-	(6,327)
Provisions for liabilities and charges	18	66	(66)	-	8	(37)	(29)
		<u>16,772</u>	<u>2,098</u>	<u>18,870</u>	<u>17,953</u>	<u>1,659</u>	<u>19,612</u>
<b>Capital and Reserves</b>							
Called up share capital	20	16,413	-	16,413	16,413	-	16,413
Merger reserve	21	(7,343)	-	(7,343)	(7,343)	-	(7,343)
Profit and loss account	22	7,627	2,098	9,725	8,829	1,659	10,488
Equity shareholders' funds	23	16,697	2,098	18,795	17,899	1,659	19,558
Equity minority interests	24	75	-	75	54	-	54
Total equity shareholders' funds	25	<u>16,772</u>	<u>2,098</u>	<u>18,870</u>	<u>17,953</u>	<u>1,659</u>	<u>19,612</u>

The financial statements on pages 10 to 32 were approved by the Board of Directors on 25 September 2003 and were signed on its behalf by:

J. B. Bush  
H. I. Smith

} Directors

The notes on pages 14 to 32 form part of these financial statements.

# Parent Company Balance Sheets

At 31 May 2003

	Note	2003 £000s	2002 £000s
<b>Fixed Assets</b>			
Intangible assets	11	218	202
Tangible assets	12	8,767	7,992
Investments	13	9,366	9,571
Investment in Joint Venture		<u>1,131</u>	<u>1,131</u>
		19,482	18,896
<b>Current Assets</b>			
Stock	14	11,457	13,055
Debtors	15	<u>21,122</u>	<u>15,055</u>
		32,579	28,110
Creditors - amounts falling due within one year	16	(42,819)	(36,647)
Net Current Liabilities		<u>(10,240)</u>	<u>(8,537)</u>
Total Assets less Current Liabilities		<u>9,242</u>	<u>10,359</u>
Creditors - amounts falling due after more than one year	17	(6,904)	(6,320)
Provisions for liabilities and charges	18	-	(29)
		<u>2,338</u>	<u>4,010</u>
<b>Capital and Reserves</b>			
Called up share capital	20	16,413	16,413
Merger reserve	21	(7,343)	(7,343)
Profit and loss account	22	(6,732)	(5,060)
Total equity shareholders' funds	23	<u>2,338</u>	<u>4,010</u>

The financial statements on pages 10 to 32 were approved by the Board of Directors on 25 September 2003 and were signed on its behalf by:

J. B. Bush  
H. I. Smith

} Directors

The notes on pages 14 to 32 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 May 2003

	Group 2003 £000s	Interest in Joint Venture 2003 £000s	Group Total 2003 £000s	Group 2002 £000s	Interest in Joint Venture 2002 £000s	Group Total 2002 £000s
<b>Net cash inflow from operating activities (a)</b>	1,652	687	2,339	2,838	786	3,624
<b>Returns on investments and servicing of finance</b>						
Interest received	6	45	51	2	27	29
Interest paid	(816)	-	(816)	(877)	(1)	(878)
Interest element of finance lease payments	(29)	-	(29)	(38)	-	(38)
Dividend paid to minority interests	(16)	-	(16)	(10)	-	(10)
	(855)	45	(810)	(923)	26	(897)
<b>Taxation</b>						
Corporation tax paid	19	(30)	(11)	-	-	-
	19	(30)	(11)	-	-	-
<b>Capital expenditure and financial investment</b>						
Purchase of tangible fixed assets	(2,516)	(450)	(2,966)	(3,835)	(448)	(4,283)
Sale of tangible fixed assets	1,882	-	1,882	2,979	1	2,980
	(634)	(450)	(1,084)	(856)	(447)	(1,303)
<b>Acquisitions and disposals</b>						
Payment to acquire trade and businesses	(451)	-	(451)	(499)	-	(499)
	(451)	-	(451)	(499)	-	(499)
<b>Net cash flow before use of liquid resources and financing</b>	(269)	252	(17)	560	365	925
<b>Management of liquid resources</b>	-	-	-	-	-	-
<b>Financing</b>						
Increase/(decrease) in Members' loans	2	-	2	(28)	-	(28)
Decrease in Members' Retirement Scheme	(72)	-	(72)	(54)	-	(54)
Decrease in finance loans	(13)	-	(13)	(18)	-	(18)
Repayment of loans	(3,429)	-	(3,429)	(4,002)	-	(4,002)
Cash inflow from loans	3,750	-	3,750	10,000	-	10,000
Capital element of finance lease payments	(212)	(8)	(220)	(184)	(13)	(197)
<b>Net cash inflow/(outflow) from financing</b>	26	(8)	18	5,714	(13)	5,701
<b>Increase/(decrease) in cash for the period (b)</b>	(243)	244	1	6,274	352	6,626

The notes on pages 14 to 32 form part of these financial statements.

# Consolidated Cash Flow Statement Notes

For the year ended 31 May 2003

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

	Group 2003 £000s	Interest in Joint Venture 2003 £000s	Group Total 2003 £000s
Operating (loss)/profit	(1,087)	424	(663)
Depreciation charge	2,197	287	2,484
Goodwill amortisation	84	-	84
Non cash provisions	(29)	-	(29)
(Profit) on sale of fixed assets	(129)	1	(128)
Decrease in stock	1,646	31	1,677
Increase in debtors	(1,720)	(55)	(1,775)
Increase/(decrease) in creditors	690	(1)	689
Net cash inflow from operating activities	1,652	687	2,339

	Group 2002 £000s	Interest in Joint Venture 2002 £000s	Group Total 2002 £000s
Operating (loss)/profit	(1,983)	482	(1,501)
Depreciation charge	2,253	266	2,519
Goodwill amortisation	55	-	55
Non cash provisions	(63)	-	(63)
Profit on sale of fixed assets	(110)	(1)	(111)
Increase in stock	(76)	(31)	(107)
Decrease in debtors	2,006	44	2,050
Increase in creditors	756	26	782
Net cash inflow from operating activities	2,838	786	3,624

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

	Group 2003 £000s	Interest in Joint Venture 2003 £000s	Group Total 2003 £000s
(Increase)/decrease in net overdraft	(243)	244	1
Increase in loans	(321)	-	(321)
Increase in Members' loans	(2)	-	(2)
Decrease in lease financing	212	8	220
Decrease in Members' Retirement Scheme	72	-	72
Decrease in finance loans	13	-	13
Movement in net debt for the year	(269)	252	(17)
Opening net debt	(13,758)	611	(13,147)
Closing net debt	(14,027)	863	(13,164)



# Consolidated Cash Flow Statement Notes *(Continued)*

For the year ended 31 May 2003

	Group 2002 £000s	Interest in Joint Venture 2002 £000s	Group Total 2002 £000s
Decrease in net overdraft	6,274	352	6,626
Increase in loans	(5,998)	-	(5,998)
Decrease in Members' loans	28	-	28
Decrease in lease financing	184	13	197
Decrease in Members' Retirement Scheme	54	-	54
Decrease in finance loans	18	-	18
Movement in net debt for the year	560	365	925
Opening net debt	(14,318)	246	(14,072)
Closing net debt	(13,758)	611	(13,147)

## (c) Analysis of Net Debt

Group	At 1 June 2002 £000s	Cash Flow £000s	At 31 May 2003 £000s
Due within one year:			
Cash in hand and at bank, advances and overdrafts	(4,513)	(243)	(4,756)
Bank loans	(1,915)	458	(1,457)
Debt:			
Members' Retirement Scheme	(609)	(6)	(615)
Members' loans	(165)	(2)	(167)
Finance loans	(13)	13	-
Finance leases	(216)	92	(124)
Due after one year:			
Bank loans	(5,193)	(779)	(5,972)
Debt:			
Members' Retirement Scheme	(949)	78	(871)
Finance leases	(185)	120	(65)
	(13,758)	(269)	(14,027)
<b>Interest in Joint Venture</b>	<b>At 1 June 2002 £000s</b>	<b>Cash Flow £000s</b>	<b>At 31 May 2003 £000s</b>
Due within one year:			
Cash in hand and at bank	618	244	862
Debt:			
Finance leases	(8)	8	-
Due after one year:			
Debt:			
Finance leases	1	-	1
	611	252	863

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

For the year ended 31 May 2003

	At 1 June 2002 £000s	Cash Flow £000s	At 31 May 2003 £000s
<b>Group Total</b>			
Due within one year:			
Cash in hand and at bank, advances and overdrafts	(3,895)	1	(3,894)
Bank loans	(1,915)	458	(1,457)
Debt:			
Members' Retirement Scheme	(609)	(6)	(615)
Members' loans	(165)	(2)	(167)
Finance loans	(13)	13	-
Finance leases	(224)	100	(124)
Due after one year:			
Bank loans	(5,193)	(779)	(5,972)
Debt:			
Members' Retirement Scheme	(949)	78	(871)
Finance leases	(184)	120	(64)
	<u>(13,147)</u>	<u>(17)</u>	<u>(13,164)</u>

# Notes to the Financial Statements

For the year ended 31 May 2003

## 1) ACCOUNTING POLICIES

### Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost accounting rules. A summary of the more important accounting policies is set out below.

### Basis of consolidation

The financial statements of the Group represent the consolidation of Countrywide Farmers plc and its subsidiary and associated undertakings. All material inter-company transactions and balances are eliminated. The accounts of subsidiary and associated undertakings which do not conform with Group policies are aligned on consolidation in order that the Group accounts may be presented on a consistent basis. In the case of acquisitions and disposals of businesses, the results of trading are consolidated from or to the date upon which control passes.

### Basis of preparation

The Group financial statements have been prepared under merger accounting principles, as set out in Financial Reporting Standard (FRS) 6 'Acquisitions and Mergers', in relation to the merger of WMF Limited (WMF) and Midland Shires Farmers Limited (MSF). Under the required merger accounting principles the results and cash flows of WMF and MSF have been combined from the beginning of the financial year in which the merger occurred, 1 June 1999.

Following the votes by the members of WMF and MSF, and the approval of the Court, the merger of WMF and MSF was completed on 14 July 1999.

### Joint Ventures

Group interests in Joint Ventures are shown on the face of the profit and loss account and balance sheet in accordance with FRS 9 'Associates and Joint Ventures' and are consolidated on the gross equity basis.

### Investments

The Group's investments are stated at the lower of cost and net realisable value.

### Income from investments

Income from investments is included in the financial statements when the amounts are received.

### Turnover

Turnover represents the net amount received and receivable in respect of goods and services supplied to external customers in the normal course of business, excluding value added tax.

### Intangible fixed assets

Intangible fixed assets comprises goodwill which represents the excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is carried within the intangible assets on the balance sheet, and written off through the profit and loss account over its estimated economic life.

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over their expected economic lives. The principal periods and annual rates used for this purpose are as follows:-

Freehold buildings	2.5% p.a. straight line
Leasehold property	In equal annual amounts over the remaining life of the lease
Plant and machinery	5% - 33.3% p.a. straight line
Vehicles	20% - 25% p.a. straight line

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

For the year ended 31 May 2003

## **1) ACCOUNTING POLICIES** *(Continued)*

### **Impairment of fixed assets**

Fixed assets are reviewed to determine whether their value appears to be impaired. Where a fixed asset has been impaired, the impairment has been charged to the profit and loss account and the asset is carried at its recoverable amount.

Subsidiary companies' impairment losses in periods prior to 1 June 1999 are included within cumulative depreciation.

### **Stock**

Stock and work in progress are stated at the lower of cost and net realisable value.

### **Taxation**

Corporation tax is charged at current rates on profits arising in the year.

### **Deferred taxation**

The provisions of FRS 19 'Deferred Tax' have been adopted in these financial statements. As a consequence, full provision has been made for deferred tax on tax assets and liabilities arising on timing differences, except for a deferred tax asset in respect of trading losses.

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences except for trading losses, which are not expected to reverse in the near future. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.

### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

### **Finance leases**

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

### **Pension scheme arrangements**

The Group operates two types of pension schemes, defined contribution and defined benefit. All schemes are funded with the assets being held by the Trustees separately from the assets of the Group.

In respect of the defined benefit schemes, the funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Group benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme. The Group provides no other post retirement benefits to its employees.

In respect of the defined contribution scheme the amount charged to the profit and loss account represents contributions payable to the independent insurance company, which operates the scheme, in funds separate from those of the Group.

The transitional disclosure provision of FRS 17 'Retirement Benefits' have been adopted in these financial statements.

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

For the year ended 31 May 2003

### 2) SEGMENTAL REPORTING

	Turnover 2003 £000s	Operating (Loss)/Profit 2003 £000s	Net Operating Assets 2003 £000s
Continuing operations			
Farming and Rural Supplies	108,158	(727)	27,584
Energy	10,385	214	1,723
	<u>118,543</u>	<u>(513)</u>	<u>29,307</u>
Reorganisation costs (Note 4)	-	(574)	-
Group	<u>118,543</u>	<u>(1,087)</u>	<u>29,307</u>
Energy Joint Venture activity	3,289	424	936
Group Total	<u>121,832</u>	<u>(663)</u>	<u>30,243</u>

#### Reconciliation of Net Operating Assets to the Balance Sheet

	£000s
Net Operating Assets	30,243
Less Bank Advance and Loans	(11,323)
Less Corporation tax	(50)
Net Assets as at 31 May 2003	<u>18,870</u>

	Turnover 2002 £000s	Operating (Loss)/Profit 2002 £000s	Net Operating Assets 2002 £000s
Continuing operations			
Farming and Rural Supplies	114,765	(1,098)	28,408
Energy	9,993	331	1,537
	<u>124,758</u>	<u>(767)</u>	<u>29,945</u>
Reorganisation costs (Note 4)	-	(1,216)	-
Group	<u>124,758</u>	<u>(1,983)</u>	<u>29,945</u>
Energy Joint Venture activity	2,948	482	741
Group Total	<u>127,706</u>	<u>(1,501)</u>	<u>30,686</u>

#### Reconciliation of Net Operating Assets to the Balance Sheet

	£000s
Net Operating Assets	30,686
Less Bank Advance and Loans	(11,004)
Less Corporation tax	(70)
Net Assets as at 31 May 2002	<u>19,612</u>

The Group operates and trades only in the United Kingdom.

# Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2003

## 3) NET OPERATING EXPENSES

	Group Total 2003 £000s	Group Total 2002 £000s
Distribution costs	5,846	5,726
Administration costs	26,378	26,546
	<u>32,224</u>	<u>32,272</u>

## 4) REORGANISATION COSTS

The principal components of business reorganisation costs incurred during the period were:

	Group Total 2003 £000s	Group Total 2002 £000s
Redundancy and other personnel related costs	337	439
New stores pre-opening costs	-	120
Existing stores disruption costs during refurbishment	-	337
Set up costs of Defford Distribution Centre	-	320
Losses incurred in store closures	237	-
	<u>574</u>	<u>1,216</u>

## 5) PROFIT ON SALE OF TANGIBLE FIXED ASSETS

The profit on sale of tangible fixed assets arose from the disposal of properties that were surplus to the Group's operational requirements.

## 6) LOSS ON SALE OR CLOSURE OF BUSINESSES

There was no sale or closure of businesses. (2002: The net loss on sale or closure of businesses arose from the disposal of Energy division's Boilercare activity).

## 7) INTEREST

	Group Total 2003 £000s	Group Total 2002 £000s
<b>Interest Receivable</b>		
Interest receivable other than Joint Venture	6	2
Joint Venture interest receivable	45	27
	<u>51</u>	<u>29</u>
<b>Interest Payable</b>		
Interest payable on bank loans and overdrafts	545	673
Interest on invoice discounting finance	266	198
Interest on other loans	5	6
Interest payable on finance leases	29	38
Interest payable other than Joint Venture	845	915
Joint Venture interest payable	-	1
	<u>845</u>	<u>916</u>

# Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2003

## 8) TOTAL OPERATING (LOSS)/PROFIT

	Group Total 2003 £000s	Group Total 2002 £000s
<b>Total Operating (Loss)/Profit is stated after crediting:</b>		
Profit on disposal of tangible fixed assets	128	111
<b>and after charging:</b>		
Staff costs (note 25)	15,988	16,176
Depreciation		
Tangible owned fixed assets	2,459	2,490
Tangible fixed assets held under finance leases	25	29
Goodwill amortisation	84	55
Operating lease charges		
Plant and machinery	875	996
Other	465	624
Auditors' remuneration for:		
Audit fees (Company £85,000; 2002: £80,000)	91	89
Non-audit fees	56	78

## 9) TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	Group Total 2003 £000s	Group Total 2002 £000s
<b>Current tax</b>		
United Kingdom corporation tax at 30% (2002: 30%) on losses for the year	25	8
Overprovision in respect of previous periods	(44)	(6)
Current tax charge on (loss)/profit on ordinary activities	<u>(19)</u>	<u>2</u>

### Factors affecting tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Group Total 2003 £000s	Group Total 2002 £000s
(Loss)/Profit on ordinary activities before tax	(745)	(1,974)
(Loss)/Profit on ordinary activities at the standard rate in the UK, 30%	<u>(225)</u>	<u>(592)</u>
Effects of:		
Expenses not deductible for tax purposes	65	136
Capital allowances for period in excess of depreciation	(204)	(300)
Permanent difference between book gains and taxable capital gains	(187)	-
Brought forward capital losses utilised (not previously recognised)	-	(28)
Tax of group company at marginal rates	6	-
Trading losses incurred but not recognised	570	792
Adjustments to tax charge in respect of previous period	(44)	(6)
Current tax charge for the period	<u>(19)</u>	<u>2</u>

### Factors that may affect future tax charges

No recognition has been made for the deferred tax asset as a result of trading losses to the extent that these exceed other deferred tax liabilities of the period. The total asset not recognised is disclosed in note 19.

Once Countrywide Farmers plc makes trading profits, these losses will be utilised, resulting in a low, or nil, effective tax charge until they have been exhausted.

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

For the year ended 31 May 2003

### 10) PROFITS OF HOLDING COMPANY

The Parent Company has not presented its own profit and loss account as permitted by Section 230 (1), of the Companies Act 1985. The amount of the loss for the period attributable to the Company is £1,672,000 (2002: loss £3,413,000).

### 11) INTANGIBLE FIXED ASSETS

	Group Total £000s	Company £000s
<b>Cost</b>		
At 1 June 2002	290	290
Additions	100	100
<b>At 31 May 2003</b>	<u>390</u>	<u>390</u>
<b>Depreciation</b>		
At 1 June 2002	88	88
Charge for the year	84	84
<b>At 31 May 2003</b>	<u>172</u>	<u>172</u>
<b>Net book value at 31 May 2003</b>	<u>218</u>	<u>218</u>
Net book value at 31 May 2002	<u>202</u>	<u>202</u>

Goodwill purchased in the year of £100,000 arose from the purchase of Franklands Farm Feeds and represents the difference between the consideration paid of £451,000 and the net assets acquired of £351,000. (2002: Goodwill purchased in the year of £190,000 arose from the purchase of businesses in Bridgnorth, Bishops Castle, and Ludlow, and represents the difference between the consideration paid of £492,000 and the net assets acquired of £302,000).

Goodwill which arose on the acquisitions of businesses is being amortised on a straight line basis over periods of between 3 and 5 years. The periods chosen, are the periods over which the Directors estimate that the values of the underlying businesses acquired are expected to exceed the values of the underlying assets.

### 12) TANGIBLE FIXED ASSETS

Group Total	Freehold Land and Buildings £000s	Leasehold Property £000s	Plant and Machinery £000s	Vehicles £000s	Total £000s
<b>Cost</b>					
At 1 June 2002	13,698	27	25,850	4,948	44,523
Additions	12	-	2,856	390	3,258
Disposals	(1,161)	-	(173)	(1,840)	(3,174)
<b>At 31 May 2003</b>	<u>12,549</u>	<u>27</u>	<u>28,533</u>	<u>3,498</u>	<u>44,607</u>
<b>Depreciation</b>					
At 1 June 2002	2,921	27	16,514	4,117	23,579
Charge for the year	293	-	1,848	343	2,484
Disposals	(242)	-	(108)	(1,778)	(2,128)
<b>At 31 May 2003</b>	<u>2,972</u>	<u>27</u>	<u>18,254</u>	<u>2,682</u>	<u>23,935</u>
<b>Net book value at 31 May 2003</b>	<u>9,577</u>	<u>-</u>	<u>10,279</u>	<u>816</u>	<u>20,672</u>
Net book value at 31 May 2002	<u>10,777</u>	<u>-</u>	<u>9,336</u>	<u>831</u>	<u>20,944</u>
<b>Impairment losses included in depreciation:</b>					
At 31 May 2003	-	-	2,064	-	2,064
At 31 May 2002	-	-	2,064	-	2,064



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

For the year ended 31 May 2003

Tangible assets held under finance leases, capitalised and included in Fixed Assets above:

	2003 £000s	2002 £000s
Cost	2,064	3,305
Aggregate Depreciation	(1,771)	(3,016)
Net book value at 31 May	<u>293</u>	<u>289</u>

Assets with a net book value of zero included in Fixed Assets above:

	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost	11,442	2,231	13,673
Aggregate Depreciation	11,442	2,231	13,673
Net book value at 31 May 2003	<u>-</u>	<u>-</u>	<u>-</u>

Amounts recoverable from insurers in respect of fixtures and fittings following the fire at the Cirencester store amounting to £105,000 are included in other debtors, in note 15. No amounts have been recognised in respect of property damage or destruction as agreement of amounts recoverable from the insurers has not yet been reached.

### Property valuation

Freehold land and buildings have been externally professionally valued by Cluttons and King Sturge at 31 May 2000, and where appropriate on 14 August 2002 and 11 July 2003, at £21.0 million on an existing use, or where appropriate, an open market basis and in accordance with the RICS Appraisal and Valuation Manual. The net book value on a historic cost basis in accordance with the Group accounting policy as summarised in the table above amounts to £9.6 million. The surplus arising from valuation on a market basis over the value at which the assets are recognised in the balance sheet amounts to £11.4 million.

### TANGIBLE FIXED ASSETS

Company	Plant and Machinery £000s	Vehicles £000s	Total £000s
<b>Cost</b>			
At 1 June 2002	21,766	4,288	26,054
Additions	2,501	296	2,797
Disposals	(140)	(1,599)	(1,739)
<b>At 31 May 2003</b>	<u>24,127</u>	<u>2,985</u>	<u>27,112</u>
<b>Depreciation</b>			
At 1 June 2002	14,417	3,645	18,062
Charge for the year	1,617	279	1,896
Disposals	(75)	(1,538)	(1,613)
<b>At 31 May 2003</b>	<u>15,959</u>	<u>2,386</u>	<u>18,345</u>
<b>Net book value at 31 May 2003</b>	<u>8,168</u>	<u>599</u>	<u>8,767</u>
Net book value at 31 May 2002	<u>7,349</u>	<u>643</u>	<u>7,992</u>

Impairment losses included in depreciation:

At 31 May 2003	<u>2,064</u>	-	<u>2,064</u>
At 31 May 2002	<u>2,064</u>	-	<u>2,064</u>

Tangible assets held under finance leases, capitalised and included in Fixed Assets above:

	2003 £000s	2002 £000s
Cost	2,064	3,305
Aggregate Depreciation	(1,771)	(3,016)
Net book value at 31 May	<u>293</u>	<u>289</u>

Assets with a net book value of zero included in Fixed Assets above:

	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost	10,013	1,422	11,435
Aggregate Depreciation	10,013	1,422	11,435
Net book value at 31 May 2003	<u>-</u>	<u>-</u>	<u>-</u>

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

For the year ended 31 May 2003

### 13) FIXED ASSET INVESTMENTS

Group Total	Own shares £000s	Other investments £000s	Associate Companies £000s	Total £000s
Cost at 1 June 2002	51	89	144	284
Additions	-	4	-	4
<b>At 31 May 2003</b>	<b>51</b>	<b>93</b>	<b>144</b>	<b>288</b>

Company	Investments in subsidiary companies £000s	Own shares £000s	Other investments £000s	Associate Companies £000s	Total £000s
Cost at 1 June 2002	9,287	51	89	144	9,571
Additions	-	-	4	-	4
Reclassification against prior year provision	(209)	-	-	-	(209)
<b>At 31 May 2003</b>	<b>9,078</b>	<b>51</b>	<b>93</b>	<b>144</b>	<b>9,366</b>

#### Own shares

At 31 May 2003, 247,665 ordinary shares of 50p each in Countrywide Farmers plc were held, at a cost of £51,000 by the Employee Share Option Plan Trust. These are being held in respect of future employee incentive schemes.

#### Investments in subsidiary companies

The investments in subsidiary companies of £9,287,000 represents the amounts of the share capital in Midland Shires Farmers Limited and WMF Limited at the time of the merger of those entities of £6,081,000 and £2,989,000 respectively, which interests were transferred to Countrywide Farmers Holdings plc consequent upon the merger arrangements. This represents investments formerly held by Midland Shires Farmers Limited and WMF Limited which were transferred to Countrywide Farmers plc with effect from 29 February 2000.

Associate companies	Nature of business	% Share holding	Type of shares	Country of registration	Reporting date
Farmers Crop Chemicals Ltd	Agricultural Supplier	23.5%	£1 ordinary	England	31 December
DLF - Perryfields Limited	Agricultural Supplier	13.7%	£100 ordinary	England	30 June

On 5 September 2003 Countrywide Farmers plc disposed of its holding of 6,357 shares in DLF - Perryfields Ltd for a consideration of £653,000. The net book value, in the Countrywide Farmers plc balance sheet at 31 May 2003, of these shares was £136,000.

### 14) STOCK

	Group Total 2003 £000s	Group Total 2002 £000s	Company 2003 £000s	Company 2002 £000s
Raw materials and consumables	602	581	602	581
Finished goods	10,985	12,624	10,855	12,474
	<b>11,587</b>	<b>13,205</b>	<b>11,457</b>	<b>13,055</b>

Amounts recoverable from insurers in respect of trading stock following the fire at the Cirencester store amounting to £285,000 are included in other debtors, in note 15.

# Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2003

## 15) DEBTORS

	Group Total 2003 £000s	Group Total 2002 £000s	Company 2003 £000s	Company 2002 £000s
Trade debtors	13,532	13,190	13,072	12,772
Amounts owed by subsidiary companies	-	-	4,493	120
Other debtors	902	611	821	516
Prepayments and accrued income	2,805	1,663	2,736	1,647
	<u>17,239</u>	<u>15,464</u>	<u>21,122</u>	<u>15,055</u>

The Group's financing arrangements include the use of invoice discounting as explained in note 16. Included in trade debtors for the Group of £13,532,000 (2002: £13,190,000) and for the Company of £13,072,000 (2002: £12,772,000) are amounts of £8,066,000 (2002: £7,738,000) on which finance has been raised.

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

	Group Total 2003 £000s	Group Total 2002 £000s	Company 2003 £000s	Company 2002 £000s
Bank loans, advances and overdrafts	29	848	1,088	1,558
Amounts due in respect of invoice discounting	5,322	4,963	5,322	4,963
Finance loan	-	13	-	13
Members' loans:				
Midland Shires Farmers Limited	108	106	108	106
WMF Limited	59	59	59	59
Members' Retirement Scheme	615	608	615	608
Trade creditors	13,095	12,756	12,800	12,526
Amounts owed to subsidiary companies	-	-	18,202	12,181
Finance lease obligations	124	223	121	212
Corporation tax	50	70	3	46
Other taxation and social security	761	824	756	824
Other creditors	663	584	379	483
Accruals and deferred income	3,401	3,077	3,366	3,068
	<u>24,227</u>	<u>24,131</u>	<u>42,819</u>	<u>36,647</u>

### Banking facilities

The Group's principal bankers at 31 May 2003 and 25 September 2003 were Barclays Bank PLC.

On 1 June 2002 the following banking facilities were in place:

- (1) Secured medium term loan facilities of £4,642,857 repayable in 65 months bearing interest at 1.1% above LIBOR.
- (2) Secured medium term loan facilities of £2,786,000 repayable in 56 months, bearing interest at Barclays Bank PLC's Base Rate plus 2%.
- (3) Invoice discounting facilities of up to £8,500,000 for a minimum period of two years from 27 September 2001, and thereafter open ended, bearing a discount charge of 1.25% above the higher of Barclays Bank PLC's Base Rate or 4%.
- (4) An overdraft facility of £500,000 bearing interest at Barclays Bank PLC's Base Rate plus 1.25%.

These facilities were secured by a first debenture over the assets of Countrywide Farmers plc and a first legal charge over Countrywide Farmers plc's freehold and leasehold properties. The amounts extant against these facilities are reflected in the Group's Financial Statements at 31 May 2003.

Interest charges and fees are charged to the profit and loss account as they arise.

### Post Balance Sheet Event

On 8 July 2003 the Group's principal bankers provided a revised facility designed to better serve the Group's borrowings needs. This revised facility reduced the invoice discounting facilities by £4,000,000 but increased the overdraft facility by £4,500,000. The facilities described in (1) and (2) above remain as stated.

# Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2003

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

	Group Total 2003 £000s	Group Total 2002 £000s	Company 2003 £000s	Company 2002 £000s
Bank loans	5,972	5,193	5,972	5,193
Members' Retirement Scheme	871	950	871	950
Finance lease obligations	64	184	61	177
	<u>6,907</u>	<u>6,327</u>	<u>6,904</u>	<u>6,320</u>

### Maturity Statement

Group Total	Bank 2003 £000s	Finance Leases 2003 £000s	Other Financial Liabilities 2003 £000s	Total 2003 £000s
In one year or less, or on demand	5,351	124	782	6,257
In more than one year, but not more than two years	1,457	47	103	1,607
In more than two years, but not more than five years	4,158	17	180	4,355
In more than five years	357	-	588	945
	<u>11,323</u>	<u>188</u>	<u>1,653</u>	<u>13,164</u>

	Bank 2002 £000s	Finance Leases 2002 £000s	Other Financial Liabilities 2002 £000s	Total 2002 £000s
In one year or less, or on demand	5,811	223	786	6,820
In more than one year, but not more than two years	1,407	123	70	1,600
In more than two years, but not more than five years	2,572	61	152	2,785
In more than five years	1,214	-	728	1,942
	<u>11,004</u>	<u>407</u>	<u>1,736</u>	<u>13,147</u>

Company	Bank 2003 £000s	Finance Leases 2003 £000s	Other Financial Liabilities 2003 £000s	Total 2003 £000s
In one year or less, or on demand	6,410	121	782	7,313
In more than one year, but not more than two years	1,457	44	103	1,604
In more than two years, but not more than five years	4,158	17	180	4,355
In more than five years	357	-	588	945
	<u>12,382</u>	<u>182</u>	<u>1,653</u>	<u>14,217</u>

	Bank 2002 £000s	Finance Leases 2002 £000s	Other Financial Liabilities 2002 £000s	Total 2002 £000s
In one year or less, or on demand	6,521	212	786	7,519
In more than one year, but not more than two years	1,407	116	70	1,593
In more than two years, but not more than five years	2,572	61	152	2,785
In more than five years	1,214	-	728	1,942
	<u>11,714</u>	<u>389</u>	<u>1,736</u>	<u>13,839</u>

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

For the year ended 31 May 2003

### 18) PROVISIONS FOR LIABILITIES AND CHARGES

Group	Pension Obligations £000s	Other £000s	Deferred Tax £000s	Total £000s
At 1 June 2002	-	29	-	29
Charges to the profit and loss account	-	-	-	-
Utilised during the year	-	(29)	-	(29)
At 31 May 2003	-	-	-	-

Company	Pension Obligations £000s	Other £000s	Deferred Tax £000s	Total £000s
At 1 June 2002	-	29	-	29
Charges to the profit and loss account	-	-	-	-
Utilised during the year	-	(29)	-	(29)
At 31 May 2003	-	-	-	-

### 19) DEFERRED TAX

	Group Total 2003 £000s	Group Total 2002 £000s	Company 2003 £000s	Company 2002 £000s
Accelerated Capital Allowances	674	554	299	171
Short term timing differences	67	(16)	81	(7)
Losses	(741)	(538)	(380)	(164)
	-	-	-	-

In accordance with the provisions of FRS 19 'Deferred Tax', full provision has been made for deferred tax on assets and liabilities arising on timing differences, except for trading losses to the extent that these exceed other deferred tax liabilities of the period. The total asset not recognised for the Group is £1,508,000 (2002: £1,880,000) and for the Company is £1,870,000 (2002: £2,155,000). In addition to this there is an unprovided deferred tax liability of £908,000 (2002: £885,000) in respect of gains rolled into assets which are not going to be sold in the foreseeable future.

### 20) SHARE CAPITAL

	2003 £000s	2002 £000s
<b>Authorised</b>		
100,000,000 Ordinary shares of 50p each	50,000	50,000
<b>Allotted, called up and fully paid</b>		
32,825,267 Ordinary shares of 50p each	16,413	16,413

### 21) MERGER RESERVE

	Group Total 2003 £000s	Group Total 2002 £000s	Company 2003 £000s	Company 2002 £000s
Merger reserve	(7,343)	(7,343)	(7,343)	(7,343)

Merger reserve represents the difference between the nominal value of the share capital issued by Countrywide Farmers Holdings plc and the nominal value of the interests transferred to it in the share capital of Midland Shires Farmers Limited of £6,080,568 and in WMF Limited of £2,989,187 consequent to the merger of those entities under the Schemes of Arrangement effected in July 1999 under Section 425, Companies Act 1985.

# Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2003

## 22) PROFIT AND LOSS ACCOUNT

	Group Total £000s	Company £000s
At 1 June 2002	10,488	(5,060)
Retained loss for the year	(763)	(1,672)
At 31 May 2003	<u>9,725</u>	<u>(6,732)</u>

## 23) RECONCILIATION OF MOVEMENTS IN TOTAL EQUITY SHAREHOLDERS' FUNDS

	Equity shareholders' funds £000s	Equity minority interests £000s	Total equity shareholders' funds £000s	Company £000s
At 1 June 2002	19,558	54	19,612	4,010
Movement on profit and loss account	(763)	37	(726)	(1,672)
Dividends payable to minority interests	-	(16)	(16)	-
At 31 May 2003	<u>18,795</u>	<u>75</u>	<u>18,870</u>	<u>2,338</u>

## 24) MINORITY INTEREST

The minority interest is the minority's share of the net assets of MSF (Welland Valley Feeds) Limited.

## 25) EMPLOYEES' AND DIRECTORS' REMUNERATION

Staff costs	2003 £000s	2002 £000s
Wages and salaries	14,301	14,921
Social security costs	1,105	1,145
Other pension costs	582	110
	<u>15,988</u>	<u>16,176</u>

The average number of persons employed by the Group during the year was:

	Full Time Equivalent 2003 Number	Full Time Equivalent 2002 Number	Headcount 2003 Number	Headcount 2002 Number
Farming and Rural Supplies	727	800	830	939
Energy	55	58	59	64
	<u>782</u>	<u>858</u>	<u>889</u>	<u>1,003</u>

### Remuneration of Directors

	2003 £000s	2002 £000s
Aggregate emoluments (including benefits in kind)	517	526
Compensation to past Director for loss of office	142	-
	<u>659</u>	<u>526</u>

Retirement benefits are accruing to two Directors under a defined benefit scheme and to one Director under a defined contribution scheme. Contributions to the defined contribution scheme in the year totalled £9,000 (2002: £21,000 for two Directors).

Aggregate emoluments (excluding pension contributions) include amounts paid to:

	2003 £000s	2002 £000s
Highest paid Director		
Emoluments: Salary	125	124
Bonus paid in respect of prior year	6	19
Defined benefit pension scheme:		
Accrued pension as at 31 May	13	11

# Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2003

## 26) PENSION OBLIGATIONS

During the year the Group has operated two pension schemes.

### Countrywide Farmers Money Purchase Pension Scheme

The assets of this money purchase scheme are held in a separate trustee administered fund. The charge to the profit and loss account for this scheme for the year ended 31 May 2003 was £114,000 (2002: £100,000).

### Countrywide Farmers Retirement Benefits Scheme

The assets of this defined benefits scheme are held in a separate trustee administered fund. The fund was closed to new members on 31 December 1999. Contributions are charged to the profit and loss account so as to spread these costs over the remaining employees' working lives. The charge to the profit and loss account for this scheme for the year ended 31 May 2003 was £440,000 (2002: £Nil).

The pension charge is determined by a qualified actuary on the basis of triennial valuations. The last formal valuation of the scheme was made as at 30 November 2000. The most significant assumptions made by the actuary for the purpose of determining the charge were that prior to retirement, investment earnings would exceed inflationary salary growth by 3.0% per annum and that after retirement, investment earnings would exceed pension increases by 2.5% per annum. The market value of the assets amounted to £58.2 million at 30 November 2000, which represented 107% of the value of the liabilities assessed on these assumptions.

The pension cost figures used in these Financial Statements comply with the current pension cost accounting standard SSAP 24. A new pension cost accounting standard, FRS 17, will be introduced in the future to replace the existing standard. Under transitional arrangements the Group is required to disclose the following information about the scheme and the figures that would have been shown under FRS 17 in the current balance sheet.

The Group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 30 November 2000 and updated to 31 May 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 May 2003	At 31 May 2002
Rate of increase in salaries	3.00%	3.50%
Rate of increase of pensions in payment	2.50%	2.50%
Rate of increase in deferred pensions	2.50%	2.50%
Discount rate	5.10%	6.00%
Inflation assumption	2.50%	2.50%

The assets in the scheme and the expected rate of return were:

	Expected rate of return	Value at 31 May 2003 £000s	Expected rate of return	Value at 31 May 2002 £000s
Equities/property	6.50%	27,352	7.00%	34,460
Government bonds/cash	4.50%	11,539	5.25%	11,590
Corporate bonds	5.00%	4,379	6.00%	2,664
Total market value of assets		43,270		48,714
Actuarial value of liability		(61,112)		(52,059)
Deficit in the scheme		(17,842)		(3,345)
Related deferred tax asset		5,353		-
Net pension liability		(12,489)		(3,345)

The deferred tax relief of £5.35 million (2002: £1.0 million) will be available to offset the pension liability provided sufficient profits are earned by the Group to allow recoverability of this amount.

If the above pension liability were recognised in the Financial Statements, the Group's net assets and profit and loss reserves would be:

	At 31 May 2003 £000s	At 31 May 2002 £000s
Net assets excluding pension liability	18,870	19,612
Pension prepayment	(412)	(412)
Pension liability	(12,489)	(3,345)
Net assets including pension liability	5,969	15,855

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

For the year ended 31 May 2003

	At 31 May 2003 £000s	At 31 May 2002 £000s
Profit and loss account reserve	9,725	10,488
Pension prepayment	(412)	(412)
Pension liability	(12,489)	(3,345)
Profit and loss account reserve	<u>(3,176)</u>	<u>6,731</u>

The Pension Fund Investment managers' reports as at 1 September 2003 indicate that 'Total market value of assets' was £45,016,000 compared to £43,270,000 shown in the table.

Analysis of the amount charged to operating profit:

	At 31 May 2003 £000s
Service cost	708
Past service cost	-
Total operating charge	<u>708</u>

Analysis of net return on pension scheme:

	At 31 May 2003 £000s
Expected return on pension scheme assets	3,123
Interest on pension liabilities	(3,067)
Net return	<u>56</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):

	At 31 May 2003 £000s
Actual return less expected return on assets	(6,560)
Experience gains and losses on liabilities	85
Changes in assumptions	(7,945)
Actuarial gain/(loss) recognised in STRGL	<u>(14,420)</u>
Adjustment due to surplus cap	-
Net gain/(loss) recognised	<u>(14,420)</u>

Movement in deficit during the year:

	At 31 May 2003 £000s
Deficit in scheme at beginning of year	(3,345)
Movement in year:	
Current service costs	(708)
Contributions	575
Past service costs	-
Net return on assets/(interest cost)	56
Actuarial gain/(loss)	(14,420)
Deficit in scheme at end of year	<u>(17,842)</u>

History of experience gains and losses:

	At 31 May 2003
Difference between expected and actual return on scheme assets:	
Amount (£'000s)	(6,560)
Percentage of scheme assets	(15.20)%
Experience gains and losses on scheme liabilities:	
Amount (£'000s)	85
Percentage of scheme assets	0.10%
Total amount recognised in statement of total recognised gains and losses:	
Amount (£'000s)	(7,945)
Percentage of scheme assets	(13.00)%



# Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2003

## 27) LEASE COMMITMENTS

Annual operating costs of leases expiring in the following periods are:

	Land and Buildings 2003 £000s	Other Plant and Machinery 2003 £000s	Group Total 2003 £000s	Company 2003 £000s
Within one year	43	735	778	760
Within two to five years inclusive	132	1,826	1,958	1,926
Over five years	550	41	591	591
	<u>725</u>	<u>2,602</u>	<u>3,327</u>	<u>3,277</u>

	Land and Buildings 2002 £000s	Other Plant and Machinery 2002 £000s	Group Total 2002 £000s	Company 2002 £000s
Within one year	-	527	527	508
Within two to five years inclusive	101	1,096	1,197	1,130
Over five years	365	161	526	526
	<u>466</u>	<u>1,784</u>	<u>2,250</u>	<u>2,164</u>

## 28) CAPITAL COMMITMENTS

	Group Total 2003 £000s	Group Total 2002 £000s	Company 2003 £000s	Company 2002 £000s
Capital expenditure contracted but not provided for	<u>264</u>	<u>631</u>	<u>264</u>	<u>439</u>

## 29) PRINCIPAL SUBSIDIARIES

	Nature of business	Type of shares	% Share holding	Country of registration	Reporting date
<b>Subsidiary undertakings</b>					
Chepstow Farmers Limited	Non-trading	£1 ordinary	100%	England	31 May
Countrywide Farmers Retail Limited	Non-trading	£1 ordinary	100%	England	31 May
Countrywide Farmers Stores Limited	Non-trading	£1 ordinary	100%	England	31 May
Countrywide LP Gas Limited	LPG Supplier	£1 ordinary	100%	England	31 May
Lidstone Midwinter Holdings Limited	Non-trading	£1 ordinary	100%	England	31 May
Midland Shires Farmers Limited	Non-trading	50p ordinary	100%	England	31 May
MSF (Property) Limited	Non-trading	£1 ordinary	100%	England	31 May
MSF (Welland Valley Feeds) Limited	Inputs to farming trade	£1 ordinary	51%	England	31 May
Neway Datacare Limited	Non-trading	£1 ordinary	100%	England	31 May
Passey Nott & Company Limited	Non-trading	£1 ordinary	100%	England	31 May
Porthouse Farms Limited	Non-trading	£1 ordinary	100%	England	31 May
South West Blends Limited	Non-trading	£1 ordinary	100%	England	31 May
MB 2000 Limited	Non-trading	£1 ordinary	91%	England	30 June
West Midland Farmers Limited	Non-trading	£1 ordinary	100%	England	31 May
Wiltshire Farmers Limited	Non-trading	£1 ordinary	100%	England	31 May
WMF Limited	Non-trading	£1 ordinary	100%	England	31 May

### Subsidiary with a joint venture interest

Countrywide LP Gas Limited operates its business under a Joint Venture agreement with Esso Petroleum Company Limited dated 8 November 1994. Under this agreement 50% of the assets, liabilities, income and expenditure of the joint venture are attributable to each party.

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

For the year ended 31 May 2003

### 30) RELATED PARTY AND NON CONSOLIDATED ASSOCIATE UNDERTAKINGS TRANSACTIONS

Non Executive Directors in the normal course of business enter into transactions with the Group which are at arms length and on the same terms as are available to other customers with a similar size of enterprise.

No Directors have any contracts with the Company, other than Directors' service contracts and trading transactions are on identical terms to other customers.

During the year the Group undertook the following material transactions with related parties:-

Related party	Relationship to Group	Transactions	Transactions	Debt at	Debt at
		2003 £000s	2002 £000s	31 May 2003 £000s	31 May 2002 £000s
R.C. Beldam	Non Executive Director	221	211	42	21
R.A. Godwin	Non Executive Director	45	62	12	11
R.W. Green	Non Executive Director	19	92	5	8
T. Holderness-Roddam	Non Executive Director	33	8	4	4
M.F. Price	Non Executive Director	124	180	35	31

The Group has taken advantage available to it under FRS 8 'Related Party Disclosures' to not disclose transactions or balances between Group entities that have been eliminated on consolidation.

During the year the Group undertook the following material transactions with non consolidated associate undertakings:-

Related party	Transactions	Transactions	Debt at	Debt at
	2003 £000s	2002 £000s	31 May 2003 £000s	31 May 2002 £000s
Crop Marketing (Groups) Limited	49	5	2	-
DLF - Perryfields Limited	107	454	33	131

### 31) CONTINGENT LIABILITIES

Countrywide Farmers plc is a participant in the Group banking arrangement under which cash balances are offset with borrowings, and has given a guarantee in respect of the net bank borrowings within the Group under this arrangement amounting at 31 May 2003 to £11,323,000 (2002: £11,004,000).

During the year the Group entered into gas supply agreements in the normal course of business. At the year end the Group was committed to minimum payments of £42,000 in relation to contracts for the supply of gas for resale (2002: £796,000).

### 32) ULTIMATE CONTROLLING PARTY

The Company does not have a known ultimate controlling party, as the current share distribution gives no individual overall control over the Company.

# **Notice of Annual General Meeting**

Countrywide Farmers plc  
(the "Company")  
(registered in England No. 3776711)

Notice is hereby given that the 4th Annual General Meeting of the Company will be held at 2.30 pm on 30 October 2003 at Bradford Road, Melksham, Wiltshire for the following purposes:

## **ORDINARY RESOLUTIONS**

- 1 To receive, consider and adopt the Company's annual accounts and the reports of the directors and the auditors for the year ended 31 May 2003.
- 2 To re-elect Mr. John Barnard Bush, who retires pursuant to article 90 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
- 3 To re-elect Mr. Hamish Ian Smith, who retires pursuant to article 90 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
- 4 To re-elect Mr. Denis Charles Pasquale Gamberoni, who retires pursuant to article 90 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
- 5 To re-elect Mr. John Harry Hardman, who retires pursuant to article 84 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
- 6 To re-elect Mr. James Macdonald Lowe, who retires pursuant to article 84 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
- 7 To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the directors to fix their remuneration.

*By Order of the Board*  
*P.A. Marfell*  
*Secretary*

*Registered Office*  
*Upton House*  
*3 Hanley Road*

## **NOTES:**

- 1 A member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- 2 A form of proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.
- 3 To be effective the instrument appointing a proxy, and power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited at the Company's registered office, Upton House, 3 Hanley Road, Upton upon Severn, WR8 0HU not less than 48 hours before the time for holding the meeting.

**countrywide**  
*Farmers*

Countrywide Farmers plc  
Upton House, 3 Hanley Road  
Upton upon Severn, Worcestershire WR8 0HU  
Telephone: 01684 593285 Facsimile: 01684 592157  
Web site: [www.countrywidefarmers.co.uk](http://www.countrywidefarmers.co.uk)  
email: [enquiries@countrywidefarmers.co.uk](mailto:enquiries@countrywidefarmers.co.uk)