countrywide Farmers plc

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Website: www.countrywidefarmers.co.uk

countrywide Farmers plc

Annual Report & Accounts

Year Ended 31 May 2004

Serving the rural community

Everything you need in the country

Agriculture

Countrywide Farmers manufactures and sells a full range of feeds and blends, sells straights, seeds, fertilisers, and agri chemicals and offers grain procurement and marketing for farmers. We provide expert services to help farmers tackle problems, improve yields and increase profits. Our experienced sales specialists and qualified agronomists visit our farming customers and are available on the telephone to give advice and ensure orders are delivered on time. Our drivers are experienced too and know just where orders need to be delivered. Call 01225 701300

Energy

Countrywide Farmers has a large and growing business in fuels and utilities. We've been supplying energy products for 50 years. Today, we deliver LP Gas, Heating Oil, Gas Oil and Derv and all the hardware that goes with them. We also supply mains gas, electricity and, most recently, telephone services. All of these are available to domestic and commercial customers at very competitive prices.

Because we're Countrywide Farmers we have a particular understanding of the needs of our customers in rural communities. We make customer service a priority, which means fast and reliable delivery wherever you are, expert advice and a human voice on the end of the telephone. Call 0800 3280011

Country Stores

Countrywide Farmers has over 30 Country Stores. We aim to supply the everyday needs of the rural community from a huge range of livestock, pet and equestrian feeds, bedding and wormers, country clothing and footwear, composts, garden furniture and machinery, fencing, gates, stoves, household supplies and seasonal products such as barbecues.

The majority of stores are open 7 days a week offering services such as garden machinery repairs, equestrian rug cleaning and horse rider hat fitting.

We invest heavily in training so our staff can serve our customers better. Each store has equestrian, agriculture, gardening, clothing and pet specialists who will offer advice and information on products and help tackle our customers' problems. For your local Country Store call 08708 352352.

Turf and Amenity

Countrywide Farmers has been supplying commercial gardeners, sports grounds and golf courses for some time, but as this business becomes more sophisticated, we have set up a dedicated team.

Between them, our Turf and Amenity specialists have 70 years experience of the industry. They provide a wealth of expert advice and supply a full range of specialist seeds and fertilisers and many other products. Call 07780 996902

Contents

Chairman's Statement

In this, my last Chairman's Statement prior to retirement, it is particularly pleasing to report that the Group has made a profit of £80,000 (2003: loss £763,000), after two years of losses. This result is all the more encouraging given that it was achieved after bearing pension charges of £1,316,000, some £734,000 higher than last year.

This continuing improvement in trading is not the only good news; the Group's property portfolio was independently valued at 31 May 2004 and revealed a surplus of £21.3 million over its historic book value. Given the enormity of this surplus the Board has incorporated it into the Balance Sheet at 31 May 2004 and, in so doing, more than doubled reported Shareholders' Funds to £40.2 million.

The actuary of the Group's defined benefit pension scheme undertook a triennial valuation at 30 November 2003 in line with normal practice. This revealed the scheme to be just under 80% funded compared with the 105% that it was funded in the previous valuation effective at 30 November 2000. The deficit revealed has resulted in a significant increase in the pension charge that is reflected in this year's profits. Your Board and the scheme Trustees have agreed a basis for funding the deficit, which will be subject to review in the next valuation at November 2006.

Operating profits for the year were £83,000, an improvement year on year of £746,000, but there were mixed fortunes for the three core trading businesses.

Agri, which has generated significant profits over the past 3 years, recorded a loss of £175,000 (2003: profit £471,000) principally as a direct result of a volatile feed material market. Even so, the business would have remained profitable had it not had to bear the brunt of the increased pension charge, Agri's employees constituting the Group's largest membership of the Defined Benefit Pension Scheme.

Retail, continued its dramatic recovery and produced a small profit, which represented an improvement of £1.1 million over the prior year and a massive step towards where this business needs to be. The repositioning of the business and strengthening of the management team in early 2003 have been the drivers of this major turnaround.

Energy, including its share of the LP Gas joint venture, remained the Group's most consistent performer and reported profits of £545,000 (2003: £579,000), the reduction in profits, again being more than accounted for by increased pension costs.

A more detailed analysis of trading performance is given in the Managing Director's review on page 2.

During the year we disposed of our shares in DLF-Perryfields for £653,000 and received £250,000 relating to the sale of surplus property at Bromyard. These non-operating items thus contributed a healthy profit of £767,000 (2003: £712,000).

Interest costs were up £77,000 driven by the need to fund the working capital needs of substantially higher priced feed inputs.

The Group's profit for the year before Minority Interests was £132,000 (2003: loss £726,000) and I thank all employees for their hard work and commitment in achieving this result. I hope that the profit recorded encourages them to maintain the momentum they are providing to the continuing improvements in the financial performance of the Group.

Ian Smith retired as Managing Director on 27 May 2004. The Board is grateful to Ian for his wise and steady hand in steering the Group through the difficult early years of its existence. We have welcomed John Hardman in his place. John has an intimate knowledge of the Group, having led the agricultural sales team for some years, and, more recently, been in charge of our agricultural activities. Roger Godwin is retiring from the Board, and I thank him for his many efforts in fulfilling his duties.

The Board currently consists of two Executive Directors, two Independent Directors and a, constitutionally driven, majority of farmer directors. The increasingly diverse activities of the Group have led to our recommendation that the term "farmer director" should be widened to "person from an Associated Industrial Background". We believe this change will enable the eventual strengthening of non-executive input from the rural industries and communities that we serve.

The Board has also determined that there is a need to seek ways of making the trading of the Group's shares easier, whilst still retaining the corporate concept of independence and farmer control. Accordingly a working party of Directors has been asked to bring forward appropriate recommendations.

It is my intention to retire from the Board on 2 December 2004 and I am delighted to report that John Pugh has intimated his willingness to succeed to the Chairmanship.

I shall retire in the knowledge that the Group, with its financial strength and sound managerial and structural establishment, is well positioned to make even further progress and that I am leaving the business in very capable hands.

I would like to thank all colleagues, past and present, for their unflinching support during my years of Chairmanship.

John Bush O.B.E.
Chairman
30 September 2004

Notice of Annual General Meeting

Countrywide Farmers plc

(the "Company")
(registered in England No. 3776711)

Notice is hereby given that the Annual General Meeting of the Company will be held at 2.30 p.m. on 28 October 2004 at Bradford Road, Melksham, Wiltshire for the following purposes:

ORDINARY RESOLUTIONS

1. To receive, consider and adopt the Company's annual accounts and the report of the directors and auditors for the year ended 31 May 2004.
2. To re-elect Mr. John Pugh 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. Richard Beldam 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-appoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the directors to fix their remuneration.
5. THAT in substitution for any other authority previously conferred upon them, the directors, be and they are hereby generally and unconditionally authorised in accordance with section 80 Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to the amount of the Company's authorised but unissued share capital as at the date of the passing of this resolution provided that this authority shall expire on the fifth anniversary of the passing of this resolution and provided that the Company may before the expiry of this authority make offers and agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry and the directors may allot relevant securities in pursuance of such offers or agreements. (See note 4 for an explanation of this resolution).

SPECIAL RESOLUTION

6. THAT subject to the passing of resolution number 5 above, the directors be and they are hereby empowered pursuant to Section 95(1) of the Act and in substitution for all existing powers, to allot for cash equity securities (within the meaning of Section 94 of the Act and pursuant to the authority conferred by ordinary resolution number 5 above) as if Section 89(1) of the Act did not apply to any such allotment provided that this power is limited to:

   (i) the allotment of equity securities in connection with an offer (whether by way of rights, open offer or otherwise) of securities, open for acceptance for a period fixed by the directors to the holders of ordinary shares and such other equity securities of the Company as the directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws, or the requirement of any recognised regulatory body or any stock exchange, in any territory; and
   (ii)any other allotment of equity securities up to an aggregate nominal amount of five per cent of the issued share capital of the Company;

and shall expire fifteen months after the passing of this resolution, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and nothwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements. (See note 5 for an explanation of this resolution).

By Order of the Board	*Registered Office*
P.A. Marfell	*Upton House*
Company Secretary	*3 Hanley Road*
30 September 2004	*Upton upon Severn*
	WR8 0HU

NOTES:

1. A Member of the Company who is entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy, who need not be a Member of the Company, to attend and vote instead of him.

2. A form of proxy is enclosed. The appointment of the 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 a 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.

4. Resolution 5 renews the power given to the Directors to issue shares for a further period of five years. The power was originally contained in the Articles of Association when the Company was incorporated. The Directors can only be given the authority to issue shares for a maximum period of five years.

5. Resolution 6 gives the directors the power to issue shares for cash, without first offering the shares to existing shareholders by way of rights. Such power is limited to a quantity of shares not exceeding 5% of the current issued share capital. Such a power could be useful in many situations including the admission of new members. The wording in sub- paragraph (i) of the resolution addresses the technicalities of company law which may arise if the directors were to propose a rights issue.

Notice of Extraordinary General Meeting *(Continued)*

By the deletion of Article 105.1 and the addition of the following new Article.

105.1 The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) for such time and on such terms and subject to such conditions as it thinks fit to any committee consisting of one or more Directors and (if thought fit) one or more other persons, provided that:

(a) a majority of the members of a committee shall be Directors; and
(b) there shall be a maximum of three Non-Executive Directors; and
(c) no resolution of a committee shall be effective unless a majority of those present when it is passed are Directors

By the deletion of Article 113.1 and the addition of the following new Article.

113.1 The Quorum necessary for the transaction of business may be determined by the Board and until otherwise determined shall be three Directors provided that a majority of the Directors present (however many in number) must be Farmers or from an Associated Industrial Background. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions for the time being vested in or exercisable by the Board.

By the deletion of Article 114.1 and the addition of the following new Article.

114.1 The Board may appoint one or more of its body Chairman or Joint Chairman and one or more of its body Deputy Chairman of its meetings and may determine the period for which he is or they are to hold office and may at any time remove him or them from office provided that such positions shall be held at all times by a Farmer or person from an Associated Industrial Background. If no such Chairman or Deputy Chairman is elected or if at any meeting neither a Chairman or Deputy Chairman is present within five minutes from the time appointed for holding the same, the Directors present shall choose one of their number to be Chairman of such meeting. In the event of two or more Joint Chairmen or, in the absence of a Chairman, two or more Deputy Chairmen being present, the Joint Chairman or Deputy Chairman to act as Chairman of the meeting shall be determined by those Directors present.

By Order of the Board	*Registered Office*
P.A. Marfell	*Upton House*
Company Secretary	*3 Hanley Road*
30 September 2004	*Upton upon Severn*
	WR8 0HU

NOTES:

1. A Member of the Company who is entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy, who need not be a Member of the Company, to attend and vote instead of him.

2. A form of proxy is enclosed. The appointment of the proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.

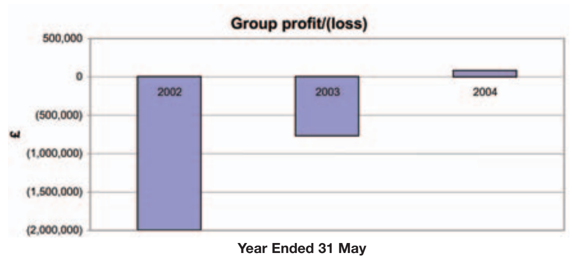
3. To be effective the instrument appointing a proxy, and a power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited at the Company's registered office, Upton House, 3 Hanley Road, Upton upon Severn, WR8 0HU not less than 48 hours before the time for holding the meeting.

4. The amendments to the Articles were recommended by the Nomination Commitee and approved by the Board of Directors.

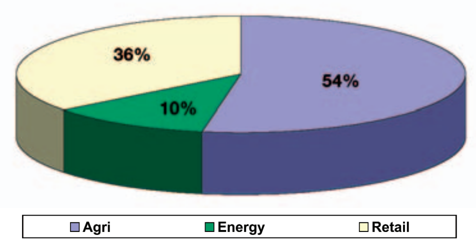
Managing Director's Review

Overview

Sales increased by 16.7% to £142.2million (2003: £121.8 million), and generated a Group profit of £80,000 (2003: loss £763,000). Operating profit was £83,000, a major turnaround from last year's operating loss of £663,000. It is significant that, in arriving at this year's profit, the Group absorbed pension costs some £734,000 higher than in the previous year and incurred reorganisation costs of £289,000, this latter being aimed at reducing the on-going cost base of the business.



Group Sales

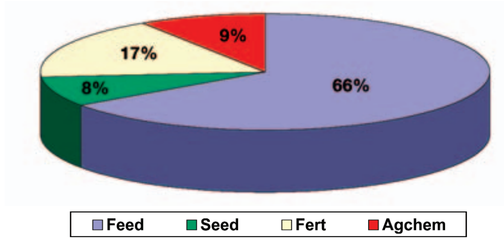


Agriculture

Total Agri sales increased by 23.8% to £74.9 million (2003: £60.5 million).

All sectors of the Agri business increased sales and market share but, despite the improved sales, a loss of £175,000 (2003: profit £471,000) was recorded. This was driven by the most volatile feed material market for 20 years, and, in turn, led to the majority of UK feed businesses, Agri included, experiencing decreased compound feed margins. Agri also bore the brunt of the Group's increased extra pension charge.

Agri Sales



Feed accounts for 66.0% of Agri sales, thus any downturn in Feed's profit contribution has a major impact on the total Agri performance. It is thus critical that Feed quickly returns to profitability and generates similar returns to those achieved over the previous 3 years. Managerial and infrastructure changes have been made to allow this to happen. The early signs are encouraging.

Compound feed sales were £47.5 million (2003: £40.4 million) reflecting volume growth of 16.0% and higher feed materials cost prices. This significant volume increase incurred disproportionately higher production and distribution costs; for this reason we plan to slightly reduce volumes this year, in order that we might produce at nearer to optimum cost efficiency levels.

Straights and blend sales were £15.0 million (2003: £13.4 million). Our strategic commitment to increasing our share of this sector is progressing well. The new blending and coarse mix plant at Carmarthen, acquired in 2003/4, is now integrated into Agri and is generating the cost savings planned.

To ensure our feed business maintains its position as the largest farmer controlled ruminant business in the UK we have continued to invest in staff training, new technology and machinery enhancements. Presteigne mill is working proof that this investment strategy really works; this mill broke through the 100,000 tonnes production barrier this year - whereas only 5 years ago, its technical capacity was deemed to be less than 60,000 tonnes.

In last year's Annual Report we stated steps would be taken to stabilise the seed business and return it to profitability. I am pleased to report that the measures taken have allowed this to be achieved.

Seed sales were £6.5 million (2003: £6.2 million) driven by increased prices and enhanced sales mix. We planned and managed to reduce cereal seed volumes and this allowed us to significantly improve customer service and create the operational efficiencies required to return the seeds business to profit. Herbage and Maize seed sales volumes increased slightly year on year.

Fertiliser sales were £12.6 million (2003: £10.4 million), and, like feed, this sector experienced significant increases in product costs, but in Fertiliser's case due to escalating world oil prices. Despite a reduction in market demand, sales volumes increased by 5.0%.

As part of the Group's strategy to profitably expand its trading area, the Crop Protection business was significantly enhanced last September when it was joined by an agronomy team based in Lincolnshire. The new team has bedded in well and has helped lift sales to £7.0 million (2003: £4.0 million).

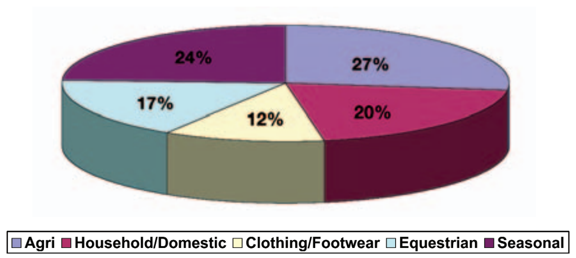
In 2003 we entered the Turf and Amenity market. This move has proved very successful with sales of nearly £400,000 in its first full year. It is planned that this business will move into profit in the year to 31 May 2005.

Retail

The repositioning of our Countrystore offering, improvement plans outlined in last year's Annual Report and the strengthening of the management team have accelerated the major turnaround required from the business.

Managing Director's Review *(Continued)*

Retail Sales



Retail's profit contribution to the Group improved by over £1.1 million year on year and resulted in Retail making a profit, albeit small, (2003: loss £1.1 million). Sales increased by 5.9% to £50.5 million. Like for like sales, excluding forecourt fuel, increased by 5.5%. This compares to an increase of around 2.0% on the High Street. Gross margins improved whilst operating costs decreased.

Key sales growth areas were Agri up 9.5%, Household and Domestic up 10.5% and Equestrian up 7.2%. Agri sales were an important 27.0% of Retail's total sales. Agri products are key to our Countrystore business and continue to be central to the repositioning process. The reinvigorated focus on Agri, coupled with aggressive growth in the other key product categories, will help drive future profits and a realistic return on the significant proportion of Group assets employed.

Stocks were decreased by 6.0% and the central distribution warehouse at Defford has now bedded in and its operational costs were reduced by more than £300,000 compared with 2002/3.

The stores opened over the last two years at Crewkerne, Malvern and Newport have made a positive contribution to the overall Countrystore business. A key part of the Group's strategy is to expand the Countrystore business through a programme of expanding existing stores, opening new stores and acquiring similar stores as and when they become available. This year, 13 of our small to medium sized stores have, at a very moderate cost, had their collective sales area increased by more than 35,000 square feet, and based on results already coming through, the expense will be more than justified.

Energy

Energy and its associated LP Gas joint venture continues to be the most consistent performer within the Group, recording another solid profit of £545,000 (2003: £579,000). Underlying profits before the extra pension charge were better than the prior year.

Turnover increased by 22.6% driven by a mixture of increased sales volumes and higher fuel and gas prices.

Fuel volumes improved by 20.0%, following further expansion in the south of the trading area along with continuing development of our fuel card product.

Utility sales increased by 14.0% with continued growth from the electricity sector. During the year we entered the Telecoms market in order to further widen the product offering from our growing Utility business.

LP Gas volumes increased by 6.0% with much of the growth coming from continued sales development in the south of our region.

The Future

In this, my first report as Managing Director, I thought it appropriate to offer a view of the present state of the Group and how it might progress.

Firstly, whilst there has been a tremendous trading improvement in the Group's performance over the past two years, the absolute return on assets employed is not yet acceptable. Whilst the significant uplift in property values now incorporated in the Balance Sheet reveals the financial strength of the Group, it also raises the stakes in the profits and return on assets expectations.

The Agri business model is believed robust enough to face the rigours of the Mid Term Review and is capable of generating profits similar to previous years. This can be made possible by adopting and implementing a strategy based on profitable recruitment, acquisition and / or collaboration. However, keeping operating costs under control will be a major challenge if future profit targets are to be achieved.

The repositioning of the Retail Countrystore offering is now repairing the mistakes acknowledged to have been made in the past and the time is now right for further investment and expansion. There is still some scope to increase the sales area within the existing estate, but new stores are required to maximise the potential of the current operation's infrastructure and the strength of our buying power.

Energy is a sales and marketing focused enterprise with scope for further growth from all product areas, using its successful marketing techniques in new geographic areas. To accelerate the expansion will require capital investment, and the energy business will be competing for Group funds, but given it already achieves the highest return on capital employed within the Group, it will be well placed so to do.

Finally, and despite what the Balance Sheet says, the greatest asset the Group has is its people and we will remain committed to retaining and recruiting the right people who have the knowledge, experience and motivation to enhance and optimise the Group's future development.

John Hardman
Managing Director
30 September 2004

Notice of Extraordinary General Meeting

Countrywide Farmers plc

(the "company")
(registered in England No. 3776711)

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at 2.15 p.m. on 28 October 2004 at Bradford Road, Melksham, Wiltshire.

The business of the meeting will be to consider, and if thought fit, to pass the following resolution which will be proposed as **SPECIAL RESOLUTION:**

That the Articles of Association be altered in the following manner:

By the addition in Article 2.1 of the following new Interpretations.

"person from an Associated Industrial Background" means a person who in the opinion of the Nomination Committee of the Board of Directors shall be experienced in the agricultural industry.

"Nomination Committee" shall consist of the Chairman and any three Non- Executive Directors of the Company. The quorum for the transaction of business shall be three.

By the deletion of Article 59.1 and the addition of the following new Article.

59.1 The Chairman of the Board shall preside at every general meeting of the Company. If there be no such Chairman or if at any meeting he shall not be present within five minutes after the time appointed for holding the meeting, or shall be unwilling to act as Chairman, the Deputy Chairman (if any) of the Board shall, if present and willing to act, preside at such meeting. If no Chairman or Deputy Chairman shall be so present and willing to act, the Directors present shall choose one of their number to act, or if there be only one Director present, he shall be Chairman if willing to act. If there be no Director present and willing to act, the members present and entitled to vote shall choose one of their number to be Chairman of the meeting.

By the deletion of Article 75.1 (a) and the addition of the following new Article.

75.1 (a) be deposited at the Office or at such other place or places within the United Kingdom as is specified in the notice convening the meeting or in any notice of any adjourned meeting or in any instrument of proxy sent out by the Company in relation to the meeting before such time as the Chairman (or in his absence the Deputy Chairman or other Director elected to chair such meeting in accordance with Article 59.1) shall in his sole discretion decide not being later than the time at which the person named in the instrument proposes to vote; or

By the deletion of Article 78.1 and the addition of the following new Article.

78.1 A vote given or poll demanded in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or the revocation of the instrument of proxy, or of the authority under which the instrument of proxy was executed, or the transfer of the share in respect of which the instrument of proxy is given, unless notice in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Office, or at such other place as has been appointed for the deposit of instruments of proxy, at any time before such time as the Chairman (or in his absence the Deputy Chairman or other Director elected to chair such meeting in accordance with Article 59.1) shall in his sole discretion decide not being later than the time at which the person named in the proxy proposes to vote or the taking of the poll at which the instrument of proxy is used.

By the deletion of Article 82.1 and the addition of the following new Article.

82.1 Unless and otherwise determined by the Company by ordinary resolution the number of Directors shall not be less than two. The number of Directors shall not exceed nine save where at least six or, if more, three quarters of the existing Directors so approve.

By the deletion of Article 83.1 and the addition of the following new Article.

83.1 Subject to the provisions of these Articles, the Company may by ordinary resolution appoint a person who is willing to act as Director, either to fill a vacancy or as an addition to the existing Board provided that at all times a majority of the Directors shall be Non-Executive Directors and from an Associated Industrial Background and the total number of Directors shall not exceed any maximum number fixed in accordance with these Articles.

By the deletion of Article 84.1 and the addition of the following new Article.

84.1 Without prejudice to the power of the Company to appoint any person to be a Director pursuant to these Articles and subject to Article 86.1, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board provided that at all times a majority of the Directors shall be Non-Executive Directors and the total number of Directors shall not exceed any maximum number fixed in accordance with or pursuant to these Articles. Any Director so appointed shall retire at the annual general meeting of the company next following such appointment and shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

32) 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 2004 to £13,106,000 (2003: £11,323,000).

During the year the Group entered into new gas supply agreements in the normal course of business. At the year end the Group was committed to minimum payments of £44,000 in relation to contracts for the supply of gas for resale (2003: £42,000).

33) 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.

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 2004.

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 11.

Properties

The Board have decided to revalue the Group's properties to reflect their market value. The Group's land and buildings were professionally valued on 31 May 2004 by independent chartered surveyors, King Sturge. The resulting uplift in the value of the properties, compared with their value on a historic cost basis, was reflected in the balance sheet as at 31 May 2004 which shows a revaluation reserve of £21,281,000.

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 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 2004 and their beneficial interests in the share capital of the Company are listed below:

	Shares 2004	Shares 2003
J.B. Bush (Chairman)	73,215	73,215
J.W. Pugh (Vice Chairman)	41,808	41,808
J.H. Hardman (Managing Director)	9,623	9,623
D.J. Lenham (Finance)	7,200	7,200
R.C. Beldam	16,107	16,107
D.C.P. Gamberoni	4,938	4,938
R.A. Godwin	14,888	14,888
T.D. Holderness-Roddam	26,768	19,768
J.M. Lowe	Nil	Nil
M.F. Price	4,982	4,982
H.I. Smith (former Managing Director) retired 27.05.04	5,000	5,000

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

29) CAPITAL COMMITMENTS

	Group Total 2004 £000s	Group Total 2003 £000s	Company 2004 £000s	Company 2003 £000s
Capital expenditure contracted but not provided for	416	264	416	264

30) PRINCIPAL SUBSIDIARIES

	Nature of business	Type of shares	% Share holding	Country of registration	Reporting date
Subsidiary undertakings					
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.

31) 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 2004 £000s	Transactions 2003 £000s	Debt at 31 May 2004 £000s	Debt at 31 May 2003 £000s
R.C. Beldam	Non Executive Director	279	221	26	42
R.A. Godwin	Non Executive Director	59	45	23	12
T.D. Holderness-Roddam	Non Executive Director	31	33	1	4
M.F. Price	Non Executive Director	143	124	19	35

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 2004 £000s	Transactions 2003 £000s	Debt at 31 May 2004 £000s	Debt at 31 May 2003 £000s
DLF - Perryfields Limited	350	107	87	33

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

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

	At 31 May 2004 £000s	At 31 May 2003 £000s
Actual return less expected return on assets	1,375	(6,560)
Experience gains and losses on liabilities	(2,749)	85
Changes in assumptions	2,483	(7,945)
Net gain/(loss) recognised	1,109	(14,420)

Movement in deficit during the year:

	At 31 May 2004 £000s	At 31 May 2003 £000s
Deficit in scheme at beginning of year	(17,842)	(3,345)
Movement in year:		
Current service costs	(715)	(708)
Contributions	517	575
Past service costs	-	-
Net return on assets/(interest cost)	(615)	56
Actuarial gain/(loss)	1,109	(14,420)
Deficit in scheme at end of year	(17,546)	(17,842)

History of experience gains and losses:

	At 31 May 2004	At 31 May 2003
Difference between expected and actual return on scheme assets:		
Amount (£'000s)	1,375	(6,560)
Percentage of scheme assets	3.01%	(15.20%)
Experience gains and losses on scheme liabilities:		
Amount (£'000s)	(2,749)	85
Percentage of scheme liabilities	(4.35%)	0.10%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000s)	1,109	(7,945)
Percentage of scheme liabilities	1.75%	(13.00%)

No comparatives other than those provided above are available for the year ended 31 May 2002.

28) LEASE COMMITMENTS

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

	Land and Buildings 2004 £000s	Other Plant and Machinery 2004 £000s	Group Total 2004 £000s	Company 2004 £000s
Within one year	3	995	998	998
Within two to five years inclusive	137	2,235	2,372	2,332
Over five years	634	-	634	634
	774	3,230	4,004	3,964

	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
	725	2,602	3,327	3,277

Directors' Report *(Continued)*

Employees

The Group has '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.

Health and Safety at Work

The Board has appointed the Managing Director as the Director responsible for Health and Safety and, through him, operates a system of policies, procedures, and audits designed to ensure that employees work in a healthy and safe environment.

Environmental Policies

Recognising the environmental impact of our operations, the Company, amongst other things, seeks to:

- Minimise fuel consumption and CO2 emissions by transport.
- Reduce energy usage in our mills and offices. As a result we have achieved an 80% reduction in the Climate Change Levy.
- Recycle packaging waste.

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
30 September 2004

Corporate Governance Statement

Countrywide Farmers plc is not a listed company and, as such, is not required to comply with the Combined Code on Corporate Governance. 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 two executive Directors, six non-executive farmer Directors and two independent non-executive Directors. The roles of the Chairman, who is non-executive and elected by the Board on an annual basis, and the Managing Director, are separated. The Managing Director, supported by the executive Director, 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. Adequate information is provided by management to allow Directors to discharge their duties. In addition Directors are able, if necessary, to take independent professional advice, in the furtherance of their duties, at the Company's expense. They seek to understand the views of shareholders about the Company.

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

Remuneration Committee

The Remuneration Committee comprises Messrs Beldam, Godwin, Holderness-Roddam, and Price, together with Mr. D.C.P. Gamberoni as Chairman.

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 comprises Messrs Beldam, Gamberoni, Godwin, and Price, together with Mr. T.D. Holderness-Roddam as Chairman. It identifies and establishes the Group's requirements regarding risk management, internal control, financial reporting, and accounting policies. Meetings are attended, by invitation, by appropriate executive Directors and the internal and external auditors.

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

Nomination Committee

The Nomination Committee comprises Messrs Gamberoni, Lowe, and Pugh, together with Mr. J.B. Bush as Chairman. It establishes the criteria for appointment to the Board and identifies suitable candidates. External search consultancy and open advertising are not normally used. The Committee seeks to achieve a balance between executive and non-executive Directors, and in the latter case between farmers and non-farmers. Details of Directors' service contracts are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

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

	Expected rate of return	Value at 31 May 2004 £000s	Expected rate of return	Value at 31 May 2003 £000s	Expected rate of return	Value at 31 May 2002 £000s
Equities/property	8.00%	33,743	6.50%	27,352	7.00%	34,460
Government bonds/cash	5.00%	5,917	4.50%	11,539	5.25%	11,590
Corporate bonds	5.75%	6,056	5.00%	4,379	6.00%	2,664
Total market value of assets		45,716		43,270		48,714
Actuarial value of liability		(63,262)		(61,112)		(52,059)
Deficit in the scheme		(17,546)		(17,842)		(3,345)
Related deferred tax asset		5,264		5,353		-
Net pension liability		(12,282)		(12,489)		(3,345)

The deferred tax relief of £5.26 million (2003: £5.35 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 2004 £000s	At 31 May 2003 £000s Restated	At 31 May 2002 £000s
Net assets excluding pension liability	40,262	30,293	19,612
Pension prepayment	(412)	(412)	(412)
Pension liability	(12,282)	(12,489)	(3,345)
Pension provision	655	-	-
Net assets including pension liability	28,223	17,392	15,855

	At 31 May 2004 £000s	At 31 May 2003 £000s	At 31 May 2002 £000s
Profit and loss account reserve	9,805	9,725	10,488
Pension prepayment	(412)	(412)	(412)
Pension liability	(12,282)	(12,489)	(3,345)
Pension provision	655	-	-
Profit and loss account reserve	(2,234)	(3,176)	6,731

Analysis of the amount charged to operating profit:

	At 31 May 2004 £000s	At 31 May 2003 £000s
Service cost	715	708
Past service cost	-	-
Total operating charge	715	708

Analysis of net return on pension scheme:

	At 31 May 2004 £000s	At 31 May 2003 £000s
Expected return on pension scheme assets	2,477	3,123
Interest on pension liabilities	(3,092)	(3,067)
Net return	(615)	56

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

Remuneration of Directors	2004 £000s	2003 £000s
Aggregate emoluments (including benefits in kind)	511	517
Compensation to past Director for loss of office	-	142
	511	659

Retirement benefits are accruing to one Director under a defined benefit scheme and to one Director under a defined contribution scheme. Contributions to the defined contribution scheme in the year totalled £11,000 (2003: £9,000 for one Director).

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

	2004 £000s	2003 £000s
Highest paid Director		
Emoluments: Salary	114	125
Bonus paid in respect of prior year	-	6
Defined benefit pension scheme:		
Accrued pension as at 31 May	15	13

27) 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 2004 was £142,000 (2003: £114,000).

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 2004 was £1,148,000 (2003: £440,000).

Contributions paid during the year amounted to £517,000. The difference between the pension charge for the year and the contributions actually paid is recognised as a provision of £655,000 in the balance sheet.

A formal valuation of the scheme was carried out as at 30 November 2003 and the pension charge for the year reflects the impact of declining interest rates, increased longevity and falls in equity markets over the period since the formal valuation carried out as at 30 November 2000.

The pension charge for the year has been determined by a professionally qualified actuary using the Projected Unit Method. The most significant assumptions made by the actuary for the purpose of determining the charge were that prior to retirement, investment earnings would exceed salary growth by 5.0% per annum and that after retirement, investment earnings would exceed pension increases by 2.5% per annum. The market value of the assets at 31 May 2004 was £43.3 million, which represented 87% 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 2003 and updated to 31 May 2004 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 May 2004	At 31 May 2003	At 31 May 2002
Rate of increase in salaries	3.50%	3.00%	3.50%
Rate of increase of pensions in payment	2.75%	2.50%	2.50%
Rate of increase in deferred pensions	2.75%	2.50%	-
Discount rate	5.75%	5.10%	6.00%
Inflation assumption	3.00%	2.50%	2.50%

Corporate Governance Statement *(Continued)*

Board and Committee Attendance of Directors

	Board	Remuneration Committee	Audit Committee	Nomination Committee
Number of Meetings in year ended 31 May 2004	11	2	3	1
Attendance of Directors:				
J.B. Bush	11			1
J.W. Pugh	10			1
J.H. Hardman	11			
D.J. Lenham	11			
R.C. Beldam	10	2	3	
D.C.P. Gamberoni	11	2	3	1
R.A. Godwin	11	1	3	
T.D. Holderness-Roddam	10	2	3	
J.M. Lowe	9			1
M.F. Price	10	2	2	
H.I. Smith	11			
Average % attendance	95%	90%	93%	100%

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
30 September 2004

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 2004 and that applicable accounting standards have been followed.

The Directors confirm that proper accounting records have been kept which 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.

The Directors confirm that they have taken reasonable steps to safeguard the assets of the Company and of the Group and to prevent and detect fraud and other irregularities. They also confirm that they have identified, evaluated, and sought to manage the significant risks faced by the Company, and that these are regularly reviewed. An internal audit function is in place and the Board receives regular reports from it.

By order of the Board
P.A. Marfell
Secretary
30 September 2004

(a) The maintenance and integrity of the Countrywide Farmers plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

22) REVALUATION RESERVE

	Group Total 2004 £000s	Group Total 2003 £000s Restated	Company 2004 £000s	Company 2003 £000s
At 1 June 2003	11,423	-	-	-
Revaluation in year (note 12)	9,858	11,423	-	-
At 31 May 2004	21,281	11,423	-	-

23) PROFIT AND LOSS ACCOUNT

	Group Total £000s	Company £000s
At 1 June 2003	9,725	(6,732)
Retained profit/(loss) for the year	80	(407)
At 31 May 2004	9,805	(7,139)

24) 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 2003 as previously reported	18,795	75	18,870	2,338
Prior year adjustment (note12)	11,423	-	11,423	-
At 1 June 2003 as restated	30,218	75	30,293	2,338
Retained profit/(loss) for the year	80	52	132	(407)
Surplus on revaluation of Land and Buildings (note12)	9,858	-	9,858	-
Dividends payable to minority interests	-	(21)	(21)	-
At 31 May 2004	40,156	106	40,262	1,931

25) MINORITY INTEREST

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

26) EMPLOYEES' AND DIRECTORS' REMUNERATION

Staff costs	2004 £000s	2003 £000s
Wages and salaries	15,170	14,301
Social security costs	1,308	1,105
Other pension costs	1,316	582
	17,794	15,988

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

	Full Time Equivalent 2004 Number	Full Time Equivalent 2003 Number	Headcount 2004 Number	Headcount 2003 Number
Agriculture	284	267	295	273
Retail	418	460	506	557
Energy	50	55	60	59
	752	782	861	889

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

18) PROVISIONS FOR LIABILITIES AND CHARGES

Group	Pension Obligations £000s	Total £000s
At 1 June 2003	-	-
Charges to the profit and loss account	655	655
Utilised during the year	-	-
At 31 May 2004	655	655

Company	Pension Obligations £000s	Total £000s
At 1 June 2003	-	-
Charges to the profit and loss account	655	655
Utilised during the year	-	-
At 31 May 2004	655	655

Pension charges in excess of the contributions paid in the year amounting to £655,000 arose as a result of the recent valuation of the Group's defined benefit scheme.
The deferred tax arising is included in the deferred tax credit as set out in note 9 and the related deferred tax asset included in note 15.

19) DEFERRED TAX

	Group Total 2004 £000s	Group Total 2003 £000s	Company 2004 £000s	Company 2003 £000s
Accelerated Capital Allowances	739	674	581	299
Short term timing differences	(161)	67	(158)	81
Losses	(860)	(741)	(860)	(380)
	(282)	-	(437)	-

In accordance with the provisions of FRS 19 'Deferred Tax', full provision has been made for deferred tax on assets and liabilities in respect of accelerated capital allowances and short term timing differences. The deferred tax asset in respect of trading losses has been recognised to the extent that they are considered more likely than not to reverse in the foreseeable future. The total asset not recognised for the Group is £1,498,000 (2003: £1,508,000) and for the Company is £1,498,000 (2003: £1,870,000). In addition to this there is an unprovided deferred tax liability of £921,000 (2003: £908,000) in respect of gains rolled into assets and an amont of up to £6.38 million relating to revalued assets (see note 9)

20) SHARE CAPITAL

	2004 £000s	2003 £000s
Authorised		
100,000,000 Ordinary shares of 50p each	50,000	50,000
Allotted, called up and fully paid		
32,825,267 Ordinary shares of 50p each	16,413	16,413

21) MERGER RESERVE

	Group Total 2004 £000s	Group Total 2003 £000s	Company 2004 £000s	Company 2003 £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.

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, the statement of total recognised gains and losses, 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 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 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 2004, and of the profit 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
30 September 2004

Consolidated Profit and Loss Account

For the year ended 31 May 2004

	Note	Group 2004 £000s	Interest in Joint Venture 2004 £000s	Group Total 2004 £000s	Group 2003 £000s	Interest in Joint Venture 2003 £000s	Group Total 2003 £000s
Turnover: continuing operations	2	138,966	3,210	142,176	118,543	3,289	121,832
Cost of Sales		(105,724)	(1,436)	(107,160)	(88,830)	(1,579)	(90,409)
Gross Profit		33,242	1,774	35,016	29,713	1,710	31,423
Other operating income		305	-	305	138	-	138
Net operating expenses	3	(33,835)	(1,403)	(35,238)	(30,938)	(1,286)	(32,224)
Operating Profit/(Loss)							
Continuing operations before reorganisation		1	371	372	(513)	424	(89)
Reorganisation costs	4	(289)	-	(289)	(574)	-	(574)
Total Operating Profit/(Loss): continuing		(288)	371	83	(1,087)	424	(663)
Non-operating items:							
Profit on sale of Tangible Fixed Assets	5	250	-	250	712	-	712
Profit on sale of Investments	6	517	-	517	-	-	-
Profit/(Loss) before interest and taxation	8	479	371	850	(375)	424	49
Interest receivable	7	126	59	185	6	45	51
Interest payable	7	(1,056)	-	(1,056)	(845)	-	(845)
(Loss)/Profit on ordinary activities before taxation		(451)	430	(21)	(1,214)	469	(745)
Taxation	9	27	126	153	49	(30)	19
Profit/(Loss) after taxation		(424)	556	132	(1,165)	439	(726)
Minority Interests in profit for the year		(52)	-	(52)	(37)	-	(37)
Profit/(Loss) for the year	23	(476)	556	80	(1,202)	439	(763)

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained profit for the year and their historical cost equivalents.

Statement of Total Recognised Gains and Losses

For the year ended 31 May 2004

	Note	Group 2004 £000s	Interest in Joint Venture 2004 £000s	Group Total 2004 £000s	Group 2003 £000s Restated	Interest in Joint Venture 2003 £000s	Group Total 2003 £000s Restated
Profit/(loss) for the financial year		(476)	556	80	(1,202)	439	(763)
Unrealised surplus on revaluation of properties		9,858	-	9,858	11,423	-	11,423
Total recognised gains for the year		9,382	556	9,938	10,221	439	10,660
Prior year adjustment	12	11,423	-	11,423			
Total gains recognised since last annual report		20,805	556	21,361			

The notes on pages 18 to 35 form part of these financial statements.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

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

	Group Total 2004 £000s	Group Total 2003 £000s	Company 2004 £000s	Company 2003 £000s
Bank loans	4,515	5,972	4,515	5,972
Finance loan	18	-	18	-
Members' Retirement Scheme	815	871	815	871
Finance lease obligations	780	64	770	61
	6,128	6,907	6,118	6,904

Maturity Statement

Group Total	Bank 2004 £000s	Finance Leases 2004 £000s	Other Financial Liabilities 2004 £000s	Total 2004 £000s
In one year or less, or on demand	8,591	259	774	9,624
In more than one year, but not more than two years	1,457	270	110	1,837
In more than two years, but not more than five years	3,058	510	140	3,708
In more than five years	-	-	583	583
	13,106	1,039	1,607	15,752

	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
	11,323	188	1,653	13,164

Company	Bank 2004 £000s	Finance Leases 2004 £000s	Other Financial Liabilities 2004 £000s	Total 2004 £000s
In one year or less, or on demand	10,075	253	774	11,102
In more than one year, but not more than two years	1,457	260	110	1,827
In more than two years, but not more than five years	3,058	510	140	3,708
In more than five years	-	-	583	583
	14,590	1,023	1,607	17,220

	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
	12,382	182	1,653	14,217

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

16) CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group Total 2004 £000s	Group Total 2003 £000s	Company 2004 £000s	Company 2003 £000s
Bank loans, advances and overdrafts	1,409	29	2,893	1,088
Amounts due in respect of invoice discounting	7,182	5,322	7,182	5,322
Members' loans:				
Midland Shires Farmers Limited	111	108	111	108
WMF Limited	36	59	36	59
Members' Retirement Scheme	627	615	627	615
Trade creditors	15,710	13,095	15,403	12,800
Amounts owed to subsidiary companies	-	-	18,642	18,202
Finance lease obligations	259	124	253	121
Corporation tax	105	50	(45)	3
Other taxation and social security	987	761	981	756
Other creditors	612	663	285	379
Accruals and deferred income	1,978	3,401	1,952	3,366
	29,016	24,227	48,320	42,819

Banking facilities

The Group's principal bankers at 31 May 2004 and 30 September 2004 were Barclays Bank PLC.

The 2003 Report and Accounts stated that on 31 May 2003 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 2.00%.

(3) Invoice discounting facilities of up to £8,500,000 bearing a discount charge of 1.25% above the higher of Barclays Bank PLC's Base Rate or 4.00%.

(4) An overdraft facility of £500,000 bearing interest at Barclays Bank PLC's Base Rate plus 1.25%.

On 8 July 2003 the invoice discounting facilities were reduced by £4,000,000 to £4,500,000 but the overdraft facility was increased by £4,500,000 to £5,000,000.

On 6 January 2004 the invoice discounting facilities were increased by £4,000,000 to £8,500,000 and the overdraft facility was reduced by £4,000,000 to £1,000,000.

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 2004.

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

Post Balance Sheet Events

On 3 September 2004 the Group entered into a Rate Swap Transaction, effective from 30 September 2004, in respect of interest on £7,000,000. This Rate Swap Transaction terminates on 30 September 2014 and includes an Option Early Termination Date of 30 September 2009.

This transaction was entered into for the purpose of hedging the Group's future interest liability in respect of £7,000,000 for the periods detailed immediately above by replacing floating rate interest risk with fixed interest committments.

On 7 September 2004 the Group's principal bankers provided a revised facility designed to better serve the Group's borrowings needs. This revised facility:

(a) provided optional inter changeability between the existing invoice discounting and overdraft facilities. This inter changeability provides a flexible invoice discounting facility of between £5,500,000 and £8,500,000 and a flexible overdraft facility of between £1,000,000 and £4,000,000, all within a maximum combined facility of £9,500,000.

(b) replaced the medium term loan facilities described in (1) and (2) above with a term loan facility of £7,000,000 repayable over 10 years.

(c) provided a new revolving credit facility of £4,000,000.

Consolidated Balance Sheets

At 31 May 2004

	Note	Group 2004 £000s	Interest in Joint Venture 2004 £000s	Group Total 2004 £000s	Group 2003 £000s Restated	Interest in Joint Venture 2003 £000s	Group Total 2003 £000s Restated
Fixed Assets							
Intangible assets	11	144	-	144	218	-	218
Tangible assets	12	41,112	2,492	43,604	29,786	2,309	32,095
Investments	13	152	-	152	288	-	288
Investment in Joint Venture		1,131	(1,131)	-	1,131	(1,131)	-
		42,539	1,361	43,900	31,423	1,178	32,601
Current Assets							
Stock	14	12,409	46	12,455	11,541	46	11,587
Debtors	15	19,246	460	19,706	16,705	534	17,239
		31,655	506	32,161	28,246	580	28,826
Creditors - amounts falling due within one year	16	(29,668)	652	(29,016)	(24,633)	406	(24,227)
Net Current Assets		1,987	1,158	3,145	3,613	986	4,599
Total Assets less Current Liabilities		44,526	2,519	47,045	35,036	2,164	37,200
Creditors - amounts falling due after more than one year	17	(6,128)	-	(6,128)	(6,907)	-	(6,907)
Provisions for liabilities and charges	18	(790)	135	(655)	66	(66)	-
		37,608	2,654	40,262	28,195	2,098	30,293
Capital and Reserves							
Called up share capital	20	16,413	-	16,413	16,413	-	16,413
Merger reserve	21	(7,343)	-	(7,343)	(7,343)	-	(7,343)
Revaluation reserve	22	21,281	-	21,281	11,423	-	11,423
Profit and loss account	23	7,151	2,654	9,805	7,627	2,098	9,725
Equity shareholders' funds	24	37,502	2,654	40,156	28,120	2,098	30,218
Equity minority interests	25	106	-	106	75	-	75
Total equity shareholders' funds	24	37,608	2,654	40,262	28,195	2,098	30,293

The financial statements on pages 11 to 35 were approved by the Board of Directors on 30 September 2004 and were signed on its behalf by:

J. B. Bush
J. H. Hardman
} Directors

The notes on pages 18 to 35 form part of these financial statements.

Parent Company Balance Sheets

At 31 May 2004

	Note	2004 £000s	2003 £000s
Fixed Assets			
Intangible assets	11	144	218
Tangible assets	12	10,397	8,767
Investments	13	9,230	9,366
Investment in Joint Venture		1,131	1,131
		20,902	19,482
Current Assets			
Stock	14	12,308	11,457
Debtors	15	23,814	21,122
		36,122	32,579
Creditors - amounts falling due within one year	16	(48,320)	(42,819)
Net Current Liabilities		(12,198)	(10,240)
Total Assets less Current Liabilities		8,704	9,242
Creditors - amounts falling due after more than one year	17	(6,118)	(6,904)
Provisions for liabilities and charges	18	(655)	-
		1,931	2,338
Capital and Reserves			
Called up share capital	20	16,413	16,413
Merger reserve	21	(7,343)	(7,343)
Profit and loss account	23	(7,139)	(6,732)
Total equity shareholders' funds	24	1,931	2,338

The financial statements on pages 11 to 35 were approved by the Board of Directors on 30 September 2004 and were signed on its behalf by:

J. B. Bush } Directors
J. H. Hardman

The notes on pages 18 to 35 form part of these financial statements.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

Own shares
At 31 May 2004, 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. The balance 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
On 5 September 2003 Countrywide Farmers plc disposed of its holding of 6,357 shares in DLF - Perryfields Limited 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 2004 £000s	Group Total 2003 £000s	Company 2004 £000s	Company 2003 £000s
Raw materials and consumables	1,155	602	1,155	602
Finished goods	11,300	10,985	11,153	10,855
	12,455	11,587	12,308	11,457

Amounts recoverable from insurers in respect of trading stock following the fire at the Cirencester store amounting to £Nil (2003: £285,000) are included in other debtors in note 15.

15) DEBTORS

	Group Total 2004 £000s	Group Total 2003 £000s	Company 2004 £000s	Company 2003 £000s
Trade debtors	15,671	13,532	15,264	13,072
Amounts owed by subsidiary companies	-	-	4,477	4,493
Other debtors	1,508	902	1,435	821
Prepayments and accrued income	2,245	2,805	2,201	2,736
Deferred taxation	282	-	437	-
	19,706	17,239	23,814	21,122

The Group's financing arrangements include the use of invoice discounting as explained in note 16. Included in trade debtors for the Group of £15,671,000 (2003: £13,532,000) and for the Company of £15,264,000 (2003: £13,072,000) are amounts of £11,049,000 (2003: £8,066,000) on which finance has been raised.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

TANGIBLE FIXED ASSETS

Company	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost			
At 1 June 2003	24,127	2,985	27,112
Additions	3,534	327	3,861
Disposals	(953)	(675)	(1,628)
At 31 May 2004	26,708	2,637	29,345
Depreciation			
At 1 June 2003	15,959	2,386	18,345
Charge for the year	1,726	242	1,968
Disposals	(774)	(591)	(1,365)
At 31 May 2004	16,911	2,037	18,948
Net book value at 31 May 2004	9,797	600	10,397
Net book value at 31 May 2003	8,168	599	8,767
Impairment losses included in depreciation:			
At 31 May 2004	2,064	-	2,064
At 31 May 2003	2,064	-	2,064

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

	2004 £000s	2003 £000s
Cost	2,679	2,064
Aggregate Depreciation	(750)	(1,771)
Net book value at 31 May	1,929	293

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

	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost	10,545	1,055	11,600
Aggregate Depreciation	(10,545)	(1,055)	(11,600)
Net book value at 31 May 2004	-	-	-

13) FIXED ASSET INVESTMENTS

Group Total	Own shares £000s	Other investments £000s	Associate Companies £000s	Total £000s
Cost at 1 June 2003	51	93	144	288
Disposals	-	-	(136)	(136)
At 31 May 2004	51	93	8	152

Company	Investments in subsidiary companies £000s	Own shares £000s	Other investments £000s	Associate Companies £000s	Total £000s
Cost at 1 June 2003	9,078	51	93	144	9,366
Disposals	-	-	-	(136)	(136)
At 31 May 2004	9,078	51	93	8	9,230

Consolidated Cash Flow Statement

For the year ended 31 May 2004

	Note	Group 2004 £000s	Interest in Joint Venture 2004 £000s	Group Total 2004 £000s	Group 2003 £000s	Interest in Joint Venture 2003 £000s	Group Total 2003 £000s
Net cash inflow from operating activities	(a)	786	706	1,492	1,652	687	2,339
Returns on investments and servicing of finance							
Interest received		126	59	185	6	45	51
Interest paid		(1,046)	-	(1,046)	(816)	-	(816)
Interest element of finance lease payments		(10)	-	(10)	(29)	-	(29)
Dividend paid to minority interests		(21)	-	(21)	(16)	-	(16)
		(951)	59	(892)	(855)	45	(810)
Taxation							
Corporation tax (paid)/received		(200)	126	(74)	19	(30)	(11)
Capital expenditure and financial investment							
Purchase of tangible fixed assets		(2,780)	(500)	(3,280)	(2,516)	(450)	(2,966)
Sale of tangible fixed assets		726	-	726	1,882	-	1,882
		(2,054)	(500)	(2,554)	(634)	(450)	(1,084)
Acquisitions and disposals							
Payment to acquire trade and businesses		-	-	-	(451)	-	(451)
Sale of investments		653	-	653	-	-	-
		653	-	653	(451)	-	(451)
Net cash flow before use of liquid resources and financing		(1,766)	391	(1,375)	(269)	252	(17)
Financing							
(Decrease)/Increase in Members' loans		(20)	-	(20)	2	-	2
Decrease in Members' Retirement Scheme		(44)	-	(44)	(72)	-	(72)
Increase/(Decrease) in finance loans		18	-	18	(13)	-	(13)
Repayment of loans		(1,457)	-	(1,457)	(3,429)	-	(3,429)
Cash inflow from loans		-	-	-	3,750	-	3,750
Capital element of finance lease payments		(362)	-	(362)	(212)	(8)	(220)
		(1,865)	-	(1,865)	26	(8)	18
(Decrease)/Increase in cash for the period	(b)	(3,631)	391	(3,240)	(243)	244	1

The notes on pages 18 to 35 form part of these financial statements.

Consolidated Cash Flow Statement Notes

For the year ended 31 May 2004

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

	Group 2004 £000s	Interest in Joint Venture 2004 £000s	Group Total 2004 £000s
Operating profit/(loss)	(288)	371	83
Depreciation charge	2,258	316	2,574
Goodwill amortisation	74	-	74
Non cash provisions	655	-	655
Profit on sale of fixed assets	(207)	(1)	(208)
Increase in stock	(868)	-	(868)
(Increase)/Decrease in debtors	(2,260)	75	(2,185)
Increase/(Decrease) in creditors	1,422	(55)	1,367
Net cash inflow from operating activities	786	706	1,492

	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

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

	Group 2004 £000s	Interest in Joint Venture 2004 £000s	Group Total 2004 £000s
Increase in net overdraft	(3,631)	391	(3,240)
Decrease in loans	1,457	-	1,457
Decrease in Members' loans	20	-	20
Increase in lease financing	(851)	-	(851)
Decrease in Members' Retirement Scheme	44	-	44
Increase in finance loans	(18)	-	(18)
Movement in net debt for the year	(2,979)	391	(2,588)
Opening net debt	(14,026)	862	(13,164)
Closing net debt	(17,005)	1,253	(15,752)

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

Prior year adjustment

In the current year the Group has adopted a policy of revaluation of land and buildings. Details of the effect of adopting this policy are as follows:

	2004 £000s	2003 £000s
Increase in Statement of Total Recognised Gains and Losses, and increase in Revaluation Reserve	9,858	11,423

There is no impact on the current or prior year profit and loss account as the increase in the land and buildings value is attributable to land which is not subject to a depreciation charge.

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

	2004 £000s	2003 £000s
Cost	2,706	2,064
Aggregate Depreciation	(760)	(1,771)
Net book value at 31 May	1,946	293

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

	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost	11,528	1,219	12,747
Aggregate Depreciation	(11,528)	(1,219)	(12,747)
Net book value at 31 May 2004	-	-	-

Analysis of Land and Buildings

	Group Total 2004 £000s	Group Total 2003 £000s	Company 2004 £000s	Company 2003 £000s
Analysis of land and buildings at cost or valuation				
At cost	9,406	9,577	-	-
At valuation	21,281	11,423	-	-
	30,687	21,000	-	-

The Group's freehold properties were revalued at 31 May 2004 on the basis of existing use value by independent qualified valuers. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom by King Sturge, a firm of independent Chartered Surveyors.

These valuations have been incorporated into the Financial Statements and the resulting revaluation adjustments have been taken to the revaluation reserve. The revaluations during the year ended 31 May 2004 resulted in a revaluation surplus of £21,281,000.

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the Balance Sheet date, a binding commitment to sell the asset has been entered into and it is likely that any gain will be rolled over.

	Group Total 2004 £000s	Group Total 2003 £000s	Company 2004 £000s	Company 2003 £000s
Analysis of net book value of land and buildings				
Freehold	30,687	21,000	-	-
	30,687	21,000	-	-

If the revalued assets were stated on the historical cost basis, the amounts would be:

	Group Total 2004 £000s	Group Total 2003 £000s	Company 2004 £000s	Company 2003 £000s
Freehold land and buildings				
At cost	12,661	12,576	-	-
Aggregate depreciation	(3,255)	(2,999)	-	-
	9,406	9,577	-	-

For the year ended 31 May 2004

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 £407,000 (2003: loss £1,672,000).

11) INTANGIBLE FIXED ASSETS

	Group Total £000s	Company £000s
Cost		
At 1 June 2003	390	390
Additions	-	-
At 31 May 2004	390	390
Depreciation		
At 1 June 2003	172	172
Charge for the year	74	74
At 31 May 2004	246	246
Net book value at 31 May 2004	144	144
Net book value at 31 May 2003	218	218

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 Restated	Leasehold Property £000s	Plant and Machinery £000s	Vehicles £000s	Total £000s Restated
Cost/Valuation					
At 1 June 2003 restated	21,000	27	28,533	3,498	53,058
Additions	112	-	4,004	377	4,493
Surplus on revaluation	9,575	-	-	-	9,575
Disposals	-	-	(956)	(692)	(1,648)
At 31 May 2004	30,687	27	31,581	3,183	65,478
Depreciation					
At 1 June 2003 restated	-	27	18,254	2,682	20,963
Charge for the year	283	-	1,975	316	2,574
Revaluation	(283)	-	-	-	(283)
Disposals	-	-	(776)	(604)	(1,380)
At 31 May 2004	-	27	19,453	2,394	21,874
Net book value at 31 May 2004	30,687	-	12,128	789	43,604
Net book value at 31 May 2003 restated	21,000	-	10,279	816	32,095
Impairment losses included in depreciation:					
At 31 May 2004	-	-	2,064	-	2,064
At 31 May 2003	-	-	2,064	-	2,064

For the year ended 31 May 2004

	Group 2003 £000s	Interest in Joint Venture 2003 £000s	Group Total 2003 £000s
Increase 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	(13,757)	610	(13,147)
Closing net debt	(14,026)	862	(13,164)

(c) Analysis of Net Debt

Group	At 1 June 2003 £000s	Cash Flow £000s	Other Non-Cash changes £000s	At 31 May 2004 £000s
Due within one year:				
Cash in hand and at bank, advances and overdrafts	(4,756)	(3,631)	-	(8,387)
Bank loans	(1,457)	1,457	(1,457)	(1,457)
Debt:				
Members' Retirement Scheme	(615)	(12)	-	(627)
Members' loans	(167)	20	-	(147)
Finance leases	(124)	362	(497)	(259)
Due after one year:				
Bank loans	(5,972)	-	1,457	(4,515)
Debt:				
Members' Retirement Scheme	(871)	56	-	(815)
Finance loans	-	(18)	-	(18)
Finance leases	(64)	-	(716)	(780)
	(14,026)	(1,766)	(1,213)	(17,005)

Interest in Joint Venture	At 1 June 2003 £000s	Cash Flow £000s	Other Non-Cash changes £000s	At 31 May 2004 £000s
Due within one year:				
Cash in hand and at bank	862	391	-	1,253
	862	391	-	1,253

Consolidated Cash Flow Statement Notes *(Continued)*

For the year ended 31 May 2004

Group Total	At 1 June 2003 £000s	Cash Flow £000s	Other Non-Cash changes £000s	At 31 May 2004 £000s
Due within one year:				
Cash in hand and at bank, advances and overdrafts	(3,894)	(3,240)	-	(7,134)
Bank loans	(1,457)	1,457	(1,457)	(1,457)
Debt:				
Members' Retirement Scheme	(615)	(12)	-	(627)
Members' loans	(167)	20	-	(147)
Finance leases	(124)	362	(497)	(259)
Due after one year:				
Bank loans	(5,972)	-	1,457	(4,515)
Debt:				
Members' Retirement Scheme	(871)	56	-	(815)
Finance loans	-	(18)	-	(18)
Finance leases	(64)	-	(716)	(780)
	(13,164)	(1,375)	(1,213)	(15,752)

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2004

8) TOTAL OPERATING PROFIT/(LOSS)

	Group Total 2004 £000s	Group Total 2003 £000s
Total Operating Profit/(Loss) is stated after crediting:		
Profit on disposal of tangible fixed assets	208	128
and after charging:		
Staff costs (note 26)	17,794	15,988
Depreciation		
Tangible owned fixed assets	2,535	2,459
Tangible fixed assets held under finance leases	39	25
Goodwill amortisation	74	84
Operating lease charges		
Plant and machinery	984	875
Other	634	465
Auditors' remuneration for:		
Audit fees (Company £78,000; 2003: £85,000)	85	91
Non-audit fees	54	56

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

	Group Total 2004 £000s	Group Total 2003 £000s
Current tax		
United Kingdom corporation tax at 30% (2003: 30%) on losses for the year	128	25
Overprovision in respect of previous periods	1	(44)
Current tax charge/(credit) on (loss)/profit on ordinary activities	129	(19)
Deferred tax	(282)	-
Tax on (loss)/profit on ordinary activities	(153)	(19)

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 2004 £000s	Group Total 2003 £000s
(Loss)/profit on ordinary activities before tax	(21)	(745)
(Loss)/profit on ordinary activities at the standard rate in the UK, 30%	(6)	(225)
Effects of:		
Expenses not deductible for tax purposes	(10)	65
Capital allowances for period in excess of depreciation	84	(204)
Permanent difference between book gains and taxable capital gains	(75)	(187)
Other timing differences	146	-
Tax of group company at marginal rates	(11)	6
Trading losses incurred but not recognised	-	570
Adjustments to tax charge in respect of previous period	1	(44)
Current tax charge/(credit) for the period	129	(19)

Factors that may affect future tax charges

As Countrywide Farmers plc makes trading profits, losses not yet utilised may result in reduced tax charges until they have been exhausted. Should the revalued properties be sold at the revalued amounts an additional tax liability could arise, subject to applying rollover relief.

3) NET OPERATING EXPENSES

	Group Total 2004 £000s	Group Total 2003 £000s
Distribution costs	6,565	5,846
Administration and other operating costs	28,673	26,378
	35,238	32,224

4) REORGANISATION COSTS

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

	Group Total 2004 £000s	Group Total 2003 £000s
Redundancy and other personnel related costs	240	337
Losses incurred in Mail Order closure	49	-
Losses incurred in store closures	-	237
	289	574

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) PROFIT ON SALE OF INVESTMENTS

The profit on sale of investments arose from the disposal of the shares in DLF-Perryfields (note 13).

7) INTEREST

	Group Total 2004 £000s	Group Total 2003 £000s
Interest Receivable		
Interest receivable other than Joint Venture	126	6
Joint Venture interest receivable	59	45
	185	51
Interest Payable		
Interest payable on bank loans and overdrafts	614	545
Interest on invoice discounting finance	306	266
Interest on other loans	126	5
Interest payable on finance leases	10	29
Interest payable other than Joint Venture	1,056	845
Joint Venture interest payable	-	-
	1,056	845

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, as adjusted for the revaluation of properties. A summary of the more important accounting policies is set out below.

Change in accounting policy

The Group has adopted the alternative accounting rules contained in Schedule 4 of the Companies Act 1985 and has this year included freehold land and buildings at valuation. This represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of adopting this treatment are given in note 12.

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.

1) ACCOUNTING POLICIES *(Continued)*

Tangible fixed assets

Tangible fixed assets other than land and buildings are stated at cost less depreciation and provision for any impairment. Land and buildings are shown at an independent valuation on an existing use basis for non specialised properties and at open market value where properties are surplus to requirements. The valuations are performed by a qualified external valuer every five years and updated every three years after the original valuation. Valuations are also updated in the intervening years if there are material changes in value. All other plant and equipment is stated at historical cost less depreciation.
Depreciation is provided to write off the cost or valuation, less estimated residual values of all tangible assets, (except for freehold land) evenly 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

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

Full provision has been made for deferred tax on tax assets and liabilities arising on timing differences, except for a deferred tax asset on trading losses which has been recognised only to the extent that it is considered more likely than not that there will be future profits from which future reversal of the underlying timing differences can be deducted.
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 scheme, the fund is 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 provisions of FRS 17 'Retirement Benefits' have been adopted in these financial statements.

2) SEGMENTAL REPORTING

	Turnover 2004 £000s	Operating Profit/(Loss) 2004 £000s	Net Operating Assets 2004 £000s
Continuing operations			
Agriculture	74,946	(175)	17,512
Retail	50,470	2	31,833
Energy	13,550	174	2,927
	138,966	1	52,272
Reorganisation costs (note 4)	-	(289)	-
Group	138,966	(288)	52,272
Energy Joint Venture activity	3,210	371	1,201
Group Total	142,176	83	53,473

Reconciliation of Net Operating Assets to the Balance Sheet	£000s
Net Operating Assets	53,473
Less Bank Advance and Loans	(13,106)
Less Corporation tax	(105)
Net Assets as at 31 May 2004	40,262

	Turnover 2003 £000s Restated	Operating Profit/(Loss) 2003 £000s Restated	Net Operating Assets 2003 £000s Restated
Continuing operations			
Agriculture	60,490	471	14,785
Retail	47,668	(1,139)	23,746
Energy	10,385	155	2,199
	118,543	(513)	40,730
Reorganisation costs (note 4)	-	(574)	-
Group	118,543	(1,087)	40,730
Energy Joint Venture activity	3,289	424	936
Group Total	121,832	(663)	41,666

Reconciliation of Net Operating Assets to the Balance Sheet	£000s Restated
Net Operating Assets	41,666
Less Bank Advance and Loans	(11,323)
Less Corporation tax	(50)
Net Assets as at 31 May 2003	30,293

The Group operates and trades only in the United Kingdom.

Segmental Reporting has been revised to allow visibility of the three core trading operations and to include the valuation of the Group's properties. The principal operating assets comprising property, plant and equipment, have been allocated to the businesses in line with use. The main operating costs, comprising staff costs and related overheads have been allocated on the basis of staff employed. Prior year comparative figures have been restated where appropriate to reflect this change.