countrywide Farmers plc

Supplying the rural community

Annual Report & Accounts

Year Ended 31 May 2007

Supplying the rural community

Countrywide is the leading UK business in the supply of products to the rural community. The businesses include Agriculture, Energy and Retail trading throughout the UK to market town and country customers, with products available through sales specialists, direct sales team, country stores and e-commerce. Countrywide have over 11,000 shareholders, 40,000 account holders and employ over 800 members of staff.

Agriculture

The agricultural business supply a wide range of feed and arable products to farmers. The range includes compound feeds, blends, straights, feed supplements, grass seed, cereal seed, fertiliser and crop protection. In addition specialist products are supplied to golf courses and sports grounds by Turf & Amenity. Feed and Arable sales specialists working in the field deliver expert knowledge to farming and amenity customers and a direct sales team offer competitive prices on a wide range of inputs. Supported by a fleet of branded vehicles and a dedicated customer service team the business provides a first class customer experience.

Energy

The energy business has been supplying products to the rural community for over 50 years. Heating Oil, Tractor Diesel and Road Diesel are delivered direct with a superb range of fuel tanks available for safe and secure storage. Over 35 autogas sites are located throughout the UK, and fuel card packages are available for forecourts nationwide. LP Gas is available in bulk and cylinders and along with all energy products is supported by an excellent customer service team, with a human voice on the end of the phone. Competitive prices, reliable delivery service and expert advice is available on all products including renewable energy.

Retail

The retail business has over 40 country stores throughout the rural community. The majority of stores are open 7 days a week supplying a wide range of products for farmers, smallholders, equestrians, pet owners, country sports people, gardeners, general public and rural businesses. Trained product specialists including AMTRA qualified, are available to offer advice on products and services. A local delivery service is available along with car loading and for those customers wishing to buy on line Countrywide now offer 24hr shopping.

For further information on countrywide or to shop online visit

www.countrywidefarmers.co.uk

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Chairman's Report 2007

Introduction

In this, my last Chairman's Statement prior to retirement, it is pleasing to report continued progress for Countrywide Farmers plc. (Countrywide) I can report a healthy increase in net assets and most pleasingly, a significant fall in bank borrowings and consequent reduction in gearing.

At the half year we confirmed our intention to restructure the business and this process was substantially completed in the second half of the year. These reorganisations impacted on our Agricultural business in particular, and the business is now focused on buying and selling our comprehensive range of Countrywide branded products. This has resulted in sizeable reorganisation costs with the majority relating to the accelerated depreciation of fixed assets and a smaller element relating to redundancy costs and associated fees. Conditions in all our trading businesses remain competitive and to improve performance requires the continuous review of market risks and opportunities.

Financial Results

I can report group operating profit, before exceptional costs and after our share of operating profit of the joint venture, of £0.3m (2006: £1.4m before £0.2m reorganisation costs). Exceptional costs totalled £0.9m (2006: £0.2m) and in view of the materiality of these exceptional items to the current year's results, the directors believe it is appropriate to show the group results before exceptional items on the face of the profit and loss account. Full details of the breakdown of these exceptional items are shown in note 4 to these financial statements. The group profit on the disposal of fixed assets of £6.1m (2006: £0.9m) principally related to the sale of land and buildings at Evesham. We declared a profit before tax for the year of £4.3m (2006: profit £0.2m).

The business continues to focus on strengthening its balance sheet and reducing financial gearing. I am therefore delighted to report a £8.9m reduction in net debt since 31 May 2006. This has been achieved through the sale of surplus freehold land at Evesham for gross proceeds of £11.2m of which £6.8m was received unconditionally in October 2006 and the balance of £4.4m on 15 June 2007, once the developer secured planning consent on the site. Specific focus on the day to day management of trade debtors led to a significant reduction in net working capital over the year. Gearing at 31 May 2007 therefore stood at 40% of shareholder funds (2006: 86%). This represents its lowest level since the business was formed in 1999.

Shareholders' funds amount to £30.3m, an increase of £5.8m in the year. This is the equivalent of £0.92 per share (2006: £0.75 per share).

Reorganisations

In May 2007, we announced a number of reorganisations specifically relating to our Agriculture business based at Melksham in Wiltshire, Defford in Worcestershire and Carmarthen in Wales. This has resulted in the closure of our remaining Agriculture operations at Melksham and after 17 August 2007, our Agriculture business has completely ceased manufacturing products directly. The business is now focused on the formulation, buying, selling and marketing of its comprehensive range of Countrywide branded products. Full details of all these changes are contained in the Managing Directors' report including the integration of our business accounting teams at Defford. The changes announced at Melksham, has left the company with surplus property assets in the town. We have exchanged contracts with a major supermarket group for the sale of part of the land at Melksham subject to planning which has now just commenced. This process is expected to take up to eighteen months to conclude.

At 31 May 2007, the business reviewed the remaining useful life of all its land and buildings and accelerated depreciation was charged to state these assets at their recoverable amount.

The impact of all these changes resulted in redundancy costs of £0.3m (2006: £0.2m), accelerated depreciation of fixed assets of £2.1m (2006: £nil) and reorganisation fees and other costs of £0.3m (2006: £nil.). These actions simplify and give greater focus to the operations of the business, reducing its ongoing cost base and thereby ultimately improving the profitability of the business.

Share Trading

The Board previously recognised that a number of shareholders sought an opportunity to market their shares and we appointed ShareMark to operate a market on the Company's behalf in April 2006. I am pleased to report in the sixteen months since this trading service has been available, over 1.2 million shares have been traded representing 3.7% of the issued share capital of the company. I remind all shareholders of this opportunity to trade their shares on a monthly basis.

Chairman's Report 2007 *(Continued)*

Shareholder Communication

In January 2007, new rules came into force under the Companies Act 2006, concerning electronic communications. These new rules, concern the manner in which companies communicate with their shareholders. In particular, the legislation allows companies to communicate electronically and through company websites. The potential benefits include streamlining administration and reducing costs. The size of these benefits depends on the number of shareholders a company has.

The most important change would allow Countrywide to post documents such as its annual report on our website rather than having to post paper copies to all shareholders. To take advantage of this change, the principle needs to be approved in a general meeting by the shareholders. You will see we have proposed a resolution seeking approval of website communication to be considered at our forthcoming Annual General Meeting. (AGM) If approval is obtained, the procedure cannot be implemented until all shareholders have been asked individually to consent to receiving documents posted on the website. Under the new rules, a shareholder who does not respond to this request will be deemed to have consented to receive documents in this way. I encourage as many of our shareholders as possible to attend the AGM or send in your proxy form so that your views can be considered on this important issue. The company has no firm plans to use these new powers immediately, but the board believes it is sensible to seek shareholder approval at this stage, so that the new rules can be implemented in the future. I encourage all shareholders to vote in favour of this resolution.

People

I announced at the half year, the appointment of Les Collins as our new Finance Director. He has over twenty years experience working in senior financial roles in a number of retail businesses and had previously been Finance Director and Company Secretary at Fortnum & Mason PLC.

Peter Marfell, our company secretary, retired on 2 May 2007 after 22 years service, having been secretary at Countrywide since the company was formed and prior to that secretary for WMF Limited. I'd like to thank Peter for not only his great service to the Board but also the business over many years. Les Collins has taken up the additional role of Company Secretary.

Richard Beldam will be retiring from the Board at the AGM and I want to personally thank him for his considerable contribution to the business over a long period. Richard was a founding director and vice-chairman of Countrywide when the business was formed in 1999 and prior to that he had been a director of Midland Shires Farmers Limited for many years.

I acknowledge the great contribution of our executive team and all our staff during this past year which has proved particularly challenging. The business finishes the year with a strong balance sheet, and is now well placed to improve the profitability of the business.

It is my intention to retire as Chairman at the October meeting of the Board, and will subsequently retire as a Director at the end of December 2007. I am delighted that Nigel Hall, who joined the Board in January 2005 and has made a significant contribution to the development of the business since then, has indicated his willingness to succeed to the Chairmanship, and I am confident that the company will prosper in the future.

John Pugh
Chairman
31 August 2007

Managing Director's Review

Review of Operations

Market conditions in each of our main businesses proved challenging in the last financial year and major changes have been implemented that will strengthen the business in the longer term.

As highlighted in last year's report, we have focused particularly on reviewing the cost base of the business in 2007 and ensuring the property assets of the group are used to best effect. This has resulted in the major reorganisation costs charged in these accounts which are fully detailed later in my report. The ongoing impact of these reorganisations is to reduce the cost base of the business going forward. The property disposals that have taken place have reduced bank borrowings significantly. This will lower interest costs to the business going forward, particularly important after the five interest rate increases in the last twelve months, as well as providing the opportunity to invest in the development of our businesses.

Sales, including our share of the joint venture, increased by 1.4% to £162.0m (2006: £159.8m) and generated a Group operating profit before exceptional costs and after our share of the joint venture of £0.3m (2006: £1.4m before £0.2m reorganisation costs). The Group reported a profit before taxation for the year of £4.3m (2006: £0.2m) after exceptional costs and profits on the disposal of fixed assets.

Agriculture

In another difficult year for our farming customers, our Agriculture business reported operating losses of £0.5m (2006: £0.2m loss) before corporate costs.

Total Agricultural sales increased by 5.1% to £71.7m (2006: £68.2m) largely driven by excellent growth in blends and straights sales through our alternative feed business launched four years ago.

Total feed sales were £48.3m (2006: £43.4m). Compound feed sales were flat and alternative feed sales grew 39% over the year. On a tonnage basis, blends and straights sales volumes were only marginally lower than those for compound feed which represents the continuing trend of extra milk being produced from alternative feeds. In total, feed tonnage sold increased by 2.7% despite a further decline in the demand for compound feed. Feed margins fell 10% on a per ton basis as passing on the full impact of increased supply chain costs to hard pressed livestock farmers proved difficult. However, after all on costs including transport, sterling margins were level with last year.

Total arable sales of £23.4m (2006: £24.8m) declined, principally reflecting a fall in fertiliser sales. Margins declined on last year. Overall seed sales volumes increased against last year but at a lower margin. Farm saved cereal seed continues to reduce the size of this market. Crop protection sales were slightly down on last year as were margins, but the business remains the most profitable of our arable businesses. Turf and amenity continued to improve their market share with sales of £1m (2006: £0.8m) and higher profits.

The performance of our Agricultural business was disappointing last year. The reorganisations announced towards the end of the year were required to refocus the business and will result in an improvement in performance in the new financial year.

Retail

Retail remains the most profitable business within the group. Headline operating profits, before corporate costs, fell to £2.0m (2006: £2.5m), however on a "like for like" basis, excluding new and relocated stores, operating profits before corporate costs were level with last year at £1.9m.

Sales increased by 1.5% to £58m overall and "like-for-like" sales increased by 0.8%. We opened two stores towards the end of our last financial year at Bridgwater and Wenvoe, with our store at Yatton closing and Evesham being relocated following the sale of the previous site for redevelopment. Our Swindon store was also relocated following the compulsory purchase of the old site to facilitate a road widening programme. The proceeds received, in particular from the Evesham disposal, were one of the major drivers behind the significant reduction in group borrowings. While the new store is trading well it is a leasehold property, and occupancy costs are therefore higher.

Retail gross margins continued to improve, leveraging the benefits from increased scale and improvements in the retail supply chain. We continue to examine ways of improving the quality and flexibility of our supply chain, to ensure that gross margins can be sustained and that we can cope with our store expansion plans over the medium term.

Shortly after the end of the year we have opened a new store in Liphook, Hampshire. A further two stores are due to open in the coming weeks, the first being a full line store in Totton, near Southampton in Hampshire. The other is a concession in a garden centre operated by a third party that will test a more limited range of pet, equestrian and clothing products.

Managing Director's Review *(Continued)*

Energy

In 2006, turnover (including the joint venture) increased some 41% driven by escalating oil prices and substantial product price inflation. Turnover in 2007, not surprisingly failed to match last year's levels and at £32.2m (including the joint venture) was 6.2% down on last year. (2006: £34.4m). While volumes were under pressure after the warm winter, margins were strong, and helped mitigate the impact of the lower sales on profitability. An operating profit of £0.7m before corporate costs, but including the joint venture of £0.4m, was recorded (2006: £0.7m, including the joint venture of £0.3m).

Fuel volumes decreased by 6.1% over the year and to minimise the impact of milder winters, we are launching a number of initiatives to reverse this trend in 2008 including a substantial remarketing of our fuel card product offerings. The warm winter also impacted on liquid petroleum gas volumes which, including the joint venture, were 7.6% down on last year.

Corporate

We have for the first time recognised "Corporate" as a dedicated line in the segmental analysis shown in note 2 to these accounts. The reason for this presentation is it avoids the notional allocation of corporate costs and net operating assets to our three trading businesses. Corporate costs not allocated to the three businesses include corporate salaries, fees and associated costs. Corporate net operating assets recorded at £7m at 31 May 2007, comprise land and buildings which are used by all our three businesses at Defford, land at Melksham, which as outlined in the Chairman's statement, has been identified as surplus to our operating requirements, and the accrued capital receipt at Evesham. (£4.4m).

Reorganisation

In August 2005, the business successfully outsourced its compound feed supply to BOCM Pauls resulting in the closure of the feed mill at Melksham in Wiltshire. We announced further changes at Melksham in May 2007, transferring the bag feed distribution fleet and drivers together with the warehouse staff to BOCM Pauls at Radstock in Wiltshire. The customer service team also moved to Radstock with the remaining transport team and other back of house staff relocating to the Countrywide offices at Defford in Worcestershire. These changes will enhance the operational partnership between Countrywide and BOCM Pauls and improve the concentration of the Countrywide operations at Defford.

Further announcements were made during May 2007 specifically restructuring our Agriculture business. We have formed a strategic partnership to process and supply cereal and pulse seed which resulted in the closure of the seed production plant at Defford at the end of May. Also in May, we announced the ceasing of production at our Franklands course mix and blending operation at Carmarthen in Wales on 17 August 2007. We are now purchasing these products from other manufacturers. These announcements mean our Agriculture business is focused on the formulation, buying, selling and marketing of its comprehensive range of Countrywide branded products.

The business completed an internal reorganisation of the business and assets of two of our wholly owned subsidiaries, WMF Limited and Midland Shires Farmers Limited on 27 February 2007. During the second half of the year, we also announced the integration of the individual business accounting teams in one location at Defford. This included moving to a common accounting platform. The transition to this new structure and accounting platform is expected to be completed by November 2007. At 31 May 2007, the business reviewed the remaining useful life of its land and buildings and accelerated depreciation was charged to state these assets at their recoverable amount.

The impact of all these announcements resulted in redundancy costs of £0.3m (2006: £0.2m), accelerated depreciation of fixed assets of £2.1m (2006: £nil) and reorganisation fees and other items of £0.3m (2006: £nil.). These actions simplify and give greater focus to the operations of the business, reducing its cost base and therefore ultimately improving the profitability of the business.

Outlook

The heavy rain and floods at the end of July were centred at the core of our operational area and did cause some disruption to our businesses and customers. I would like to thank all our staff for their tremendous commitment and support during this difficult time for our business and the wider community. Customers and staff all pulled together and as a result we quickly recovered from these unfortunate events. All our losses incurred as a result of these floods are expected to be fully insured.

As I write this report, the recent foot and mouth outbreak in Surrey seems to be explained and understood. It is pleasing to note that it does not appear to be anywhere near as significant as the outbreak in 2001, when many farming businesses failed to recover.

Managing Director's Review *(Continued)*

We have a number of opportunities to expand the retail store portfolio in 2008 in addition to those new stores that are already due to open in the next three months. We have recently appointed a new head of retail to further grow and develop our most profitable business. The retail business model we have is unique to Countrywide and differentiates us in the rural market place. Building on the local tradition and heritage of the Countrywide brand, we continue to explore new categories and trading formats in particular focusing on our strengths in pet and equestrian which naturally lends itself to a smaller shop format. This increases our ability to extend our brand coverage more quickly in our core trading area and also importantly in adjoining areas.

Further capital is being invested in our energy business extending our fuel trading area into the south west with a fuel distribution plant due to open in Weston-Super-Mare adjacent to the liquid petroleum gas storage depot that we opened in 2006. We continue to look to grow our successful liquid petroleum gas business organically and monitor any opportunities to expand this business more rapidly.

The reorganisations announced in our Agriculture business should ensure this business is profitable before corporate costs in 2008. We expect market conditions to remain challenging however. Raw material prices continue to increase significantly which will represent a challenge for us in terms of maintaining margins. The high price of compounds is likely to reduce demand as producers feed less or switch to cheaper sources of feed. Milk prices need to increase further to recover the escalating costs of production. While this pressure is being felt by everyone in the Agricultural supply industry, it will increase competition for customers. To counter this we have invested in our field sales force who can add value to farming businesses. There will be further investment in people and technology in our direct sales team to meet the changing buying habits of our customers.

We continue to invest in extending our e-commerce business. Our transactional website launched in 2006 is growing steadily and new ranges of products are being added on a regular basis.

Renewable energy is a rapidly evolving and exciting new market for both businesses and consumers. With our range of business across agriculture, energy and retail we are uniquely placed to exploit this market. We are due to launch in September, the first fully operational biomass wood pellet boiler in our retail store at Thornbury.

Over the last year we have focused on re-engineering the business and strengthening the balance sheet. We now look forward to growing the profitability of the business from this stronger base.

John Hardman
Managing Director
31 August 2007

Finance Review

Reorganisation

The group completed an internal reorganisation of the business and assets of two of our wholly owned subsidiaries, WMF Limited and Midland Shires Farmers Limited on 27 February 2007. On this date, the business and property assets were transferred to Countrywide Farmers Plc. At 31 May 2007, the business reviewed the remaining useful life of its land and buildings and accelerated depreciation was charged to state these assets at their recoverable amount. This accelerated depreciation totalled £2.1m (2006: £nil) and has been shown under exceptional costs along with costs of the business reorganisations detailed in the Managing Directors report.

During the second half of the year, we announced the integration of the individual business accounting teams in one location at Defford. This included moving to a common accounting platform. The transition to this new structure and accounting platform is expected to be completed by November 2007.

Pensions

We continue to operate a defined contribution pension scheme for our employees. The charge to the profit and loss account for this scheme was £0.2m (2006: £0.2m).
The company also supports a closed defined benefit scheme and additional contributions paid by the company into this scheme in the year totalled £0.9m (2006: £0.9m). A formal valuation of the closed defined benefit scheme at 5 April 2006 was completed in July 2007. The company has reviewed this valuation with the trustees and agreed to increase our contribution to average £1.1m pa over the three years from 1 October 2007.
The valuation of the scheme under FRS 17 at 31 May 2007 gave rise to a reduction in the net pension deficit of £10.9m to £6.4m (2006: £17.3m) or £4.5m (2006: £12.1m) after deferred tax.
Following the change in UK pension legislation effective from 6 April 2006, it became possible for the terms of pension plans to be amended to allow members to take more benefit in the form of a lump sum rather than an ongoing pension. The prescribed method of recognition under FRS 17 of this change is to show the one off benefits change arising from this plan amendment as a past service credit in the profit and loss account. This benefit change credit in 2007 is £1.8m (2006: £nil) and, given its material impact on the level of operating profit, has been shown as an exceptional item in these accounts.

Balance Sheet and Cash Flow

The group had a net cash inflow of £8.9m (2006: outflow £4.0m). This much improved position resulted from proceeds from the sale of fixed assets £7.7m (2006: £1.4m) and a net cash inflow from operating activities of £4.6m (2006: outflow £0.5m). The sale of fixed assets substantially comprised the sale of land and buildings at Evesham in October 2006. Specific focus on more timely collection of payments from trade debtors in our Agriculture and Energy businesses had a major impact on reducing debtors. Over the year, debtors reduced by £4m (2006: increased £2.1m) contributing to a significant reduction in net working capital.
Distributable reserves that started the year at £5.0m in deficit have moved to a credit of £6.6m with the favourable movement in the pension deficit and the property gains following the disposal of the Evesham property. This included the gross realisation of the £5.4m revaluation reserve for this property before the associated tax charge of £1.6m.

Fixed Assets

Fixed asset disposals in the year totalled £12.7m.This comprises the disposal of freehold land and buildings at Evesham and Cirencester with the balance representing the disposal of assets fully written down and not now used by the businesses. We have also reviewed the classification of fixed asset expenditure and restated assets into their appropriate category.
The group's freehold land and buildings were revalued at 31 May 2007 on an existing use basis by independent qualified valuers. These valuations have been incorporated in the accounts and resulted in a £0.4m reduction in the carrying values of our freehold land and buildings after the disposal of our Evesham and Cirencester property noted above.
Fixed asset additions in the year were £2.2m with our share of the joint venture capital expenditure a further £0.6m. The major additions were made in our Energy business and included the new LPG distribution plant at Weston-Super-Mare opened in October 2006 and ongoing investment in customer tanks. There were no new retail stores opened in this financial year, although we opened a new store at Liphook in Hampshire in July 2007 and a further two stores are expected to open shortly. We launched a transactional e-commerce website in October 2006 and a number of improvements to the IT infrastructure were made. The level of capital expenditure is expected to increase in the coming financial year as we expand our retail network.

Finance Review *(Continued)*

Financial Risk Management

The Group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk. Given the size of the Group, the Directors have not established a sub-committee of the Board to monitor financial risk management, but have established policies that are implemented and monitored by the Executive Directors.

Price Risk

The Group is exposed to commodity price risk, principally for raw materials in its Agriculture Feeds business which enters into forward supply contracts to manage the impact of price movements on its gross margin. The Directors estimate the value of open contracts at 31 May 2007 to be £8.9m.
The Energy Fuels business retails oil-related products that are subject to changes in the world commodity price for crude oil. However the relatively low stockholding maintained and daily price monitoring systems used to determine selling prices, enables the business to effectively manage the risk of gross margin erosion. Forward supply contracts are not utilised by this business.

The extent of these risks is regularly reviewed and assessed by the Executive Directors and reported back to the Board. This process is considered to be effective given the size and nature of the risks involved, but will be reviewed in the future should circumstances change.

Credit Risk

Where appropriate, relevant credit checks are performed on potential customers before sales are made. The amount of exposure to any individual customer is controlled by means of a credit limit that is set and monitored by the business. In addition, the Fuels business maintains credit insurance in order to manage the potential financial loss incurred on certain bad debts.

Liquidity Risk

The Group actively maintains a mixture of long-term and short-term debt finance, which is designed to ensure that the business has access to sufficient available funds for ongoing working capital needs as well as planned capital investment and expansion. The amount of debt finance required is reviewed at least annually by the Directors.

Interest Rate Risk

The Group has interest-bearing debt liabilities which are fully detailed in note 16 to these accounts including the interest rates that apply to the different liabilities. The Group has entered into an interest swap transaction to fix the interest on part of the Group's borrowings which is also described in this note. As at 31 May 2007, the market value of this swap was a profit of £0.05m (2006: loss £0.14m).

Les Collins
Finance Director
31 August 2007

Directors' Profiles

JOHN PUGH (Chairman) Age 66
Director of a number of agricultural companies and cooperatives including Chairman of Midland Shires Farmers prior to the merger with WMF Limited.
Community responsibilities including the Magistracy and School Governance.
40 years as a Farmer in South Herefordshire.

TIM HOLDERNESS-RODDAM (Deputy Chairman) Age 64
Joined the Board in 2001, Deputy Chairman since 2004. Former Managing Director of United Molasses Group and Director of the Abercrombie & Kent Group.
Trustee of Countrywide Farmers Retirement Benefits Scheme.
Arable Farmer and equine stud owner.

JOHN HARDMAN (Managing Director) Age 45
Joined West of England Farmers in 1985 and subsequently became Agri Director of WMF Limited in 1997. Holds a degree in Agriculture and an MBA.
Following the formation of Countrywide Farmers in 1999 became Director of Agri Sales before becoming Deputy Managing Director in 2003 and Managing Director in June 2004.
Serves as Trustee of both of the Company's pension schemes.

LES COLLINS (Finance Director & Company Secretary) Age 46
Qualified as a Chartered Accountant in 1985 with Thomson McLintock.
Has held senior positions with a number of retailers including Allders Department Stores, furniture retailer Gillow, Jaeger and Warner Bros Studio Stores between 1986 and 2000.
Finance Director and Company Secretary at Fortnum & Mason plc for six years, between 2000 and 2006 and joined Countrywide Farmers in November 2006.

RICHARD BELDAM Age 56
Chairman of Centaur Grain Limited marketing 1.7 million tonnes of grain annually.
Member of HGCA's British Cereals Export committee.
Trustee of Countrywide Farmers Retirement Benefits Scheme and Chairman of the Remuneration Committee.
Arable Farmer on 1,500 hectares in Gloucestershire and Worcestershire.

SIR BEN GILL Age 57
Qualified with a degree in Agriculture from Cambridge and worked in Uganda before commencing farming in 1978.
Currently Managing Director of Hawk Creative Business Park Ltd and Hawkhills Consultancy Limited. Senior partner in WN Gill & Son, Chairman of English Apples & Pears Ltd and an associate Director of PR Consultancy Sovereign Strategy.
Involved in NFU from early 1980's, culminating in the National Presidency from 1998 to 2004.
In 2005 chaired the Government's Biomass Task Force to improve uptake of Biomass as a renewable energy source.

NIGEL HALL Age 52
Qualified as a Chartered Accountant in 1980 with Price Waterhouse before joining the Burton Group plc (subsequently Arcadia Group plc) in 1984. Was Group Finance Director from 1997 until 2003.
Serves as Non-Executive Director of Unite Group plc, where he is the Senior Independent Non-Executive Director, C&J Clark Limited and Pinewood Shepperton plc. Owns a small farm in mid-Devon near Tiverton.
Provides finance, retail and property experience to the Board and will succeed John Pugh as Chairman in October 2007. He is currently Chairman of the Audit Committee.

NORMAN LEECE Age 56
Graduated in Metallurgy from Sheffield University in 1970 and awarded a PhD in 1973.
Worked for significant companies in the Energy industry, latterly as a Director, including UK Petroleum Products Ltd, prior to establishing the consultancy company, Prime Energy Technologies Limited.

Registered Office and Advisers

Registered Number	3776711
Registered Office	Defford Earls Croome Worcester WR8 9DF
Auditors	PricewaterhouseCoopers LLP 31 Great George Street Bristol BS1 5QD
Bankers	Barclays Bank PLC North West Business Banking 7th Floor 1 Marsden Street Manchester M2 1HW

Directors' Report

The Directors present their report and the audited Financial Statements For the year ended 31 May 2007.

Countrywide Farmers plc is not listed on a recognised investment exchange, however, shares may be traded on ShareMark. For further information, please contact: ShareMark Ltd, PO Box 2000, Bucks, HP21 8ZB. Telephone 01296 414245. www.sharemark.co.uk

Principal Activities

The principal activities of the Group during the year are the 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, utilities and the sale of a range of farm sundries and retail products to the rural community.

Results and Dividends

The Profit and Loss Account for the year is set out on page 16. The Directors recommend that no dividend be paid (2006: £Nil).

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 seek to abide by the agreed terms of payment. There are no creditors subject to special arrangements outside of suppliers' terms and conditions. The Group has complied with this policy during the year. During 2007 the average payment period was 46 days (2006:49 days).

Financial Instruments

As part of its overall financing strategy, the Group has entered into an interest swap transaction to fix the interest rate on part of the Group's borrowings. This transaction is described in note 16 to the financial statements. As at 31 May 2007, the market value of this swap was £53,015 (profit) (2006:£141,729 loss).

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 during the year to 31 May 2007 and their beneficial interests in the share capital of the Company are listed below:

	Shares 2007	Shares 2006
J.W. Pugh (Chairman)	120,313	90,715
J.H. Hardman (Managing Director)	9,735	9,623
R.C. Beldam	16,107	16,107
T.D. Holderness-Roddam (Deputy Chairman)	145,843	65,843
Sir A.B.N. Gill	12,180	12,180
N.P. Hall	98,037	91,652
N.K.Leece	26,958	12,542
M.F. Price (resigned 26.10.06)	N/A	4,982
L.J. Collins (appointed 30.11.06)	7,200	Nil

Directors' Report *(Continued)*

Employees

Training and development of staff is seen as fundamental to the long term growth and prosperity of the Group. Communication procedures have been established for informing all employees 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 to ensure that employees work in a healthy and safe environment.

Environmental Policies

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

- Minimise fuel consumption and CO_2 emissions by transport.
- Reduce energy usage in our offices.
- Recycle packaging waste.

The Group is conducting research into the renewable energy market, particularly in the biomass sector.

Auditors

As part of the audit process each Director has confirmed, as at the date of the financial statements, that as far as he is aware (a) there is no relevant audit information of which the Group's auditors are unaware, and (b) he has taken steps to make himself aware of any relevant audit information and to establish that the Group's auditors are also aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Group will be proposed at the Annual General Meeting.

By order of the Board
L.J. Collins
Company Secretary
31 August 2007

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

During the year the Board comprised two executive Directors, six non-executive farmer Directors and one independent non-executive Director. The roles of the Chairman, who is non-executive and elected by the Board, and the Managing Director, are separated. The Managing Director, supported by the Finance Director, is responsible for the operating performance of the Group. 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 (Chairman), Hall, Holderness-Roddam and Leece. Dr Leece joined the Committee during the year. Mr Price resigned during the year.

The Committee's remit is to determine appropriate short and long-term total reward packages for the executive Directors of the Company. It also satisfies itself that good practices apply to all Group employees through the relevant management structures.

Audit Committee

The Audit Committee comprises Messrs Hall (Chairman), Beldam, Holderness-Roddam and Sir Ben Gill. 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 Pugh (Chairman), Hall, Holderness-Roddam and Sir Ben Gill. Sir Ben Gill joined the committee during the year. The Committee establishes the criteria for appointment to the Board and identifies suitable candidates. It seeks to achieve a balance between executive and non-executive Directors. 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.

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 2007	13	2	3	2
Attendance of Directors:				
J.W. Pugh	13			2
J.H. Hardman	13			
R.C. Beldam	13	2	2	
T.D. Holderness-Roddam	13	2	3	2
M.F. Price (resigned 26.10.06)	7	1		
Sir Ben Gill	13		3	1
N.P. Hall	13	2	3	2
N.K. Leece	13	1		
L.J. Collins (appointed 30.11.06)	7			

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 continued to adopt the going concern basis in preparing the financial statements.

By order of the Board
L.J. Collins
Company Secretary
31 August 2007

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 2007 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.

The maintenance and integrity of the Countrywide Farmers plc website is the responsibility of the Directors. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board
L.J. Collins
Company Secretary
31 August 2007

Independent Auditors' Report to the Members of Countrywide Farmers plc

We have audited the group and parent company financial statements (the ''financial statements'') of Countrywide Farmers plc for the year ended 31 May 2007 which comprise the Consolidated Profit and Loss Account, the Note of Historical cost Profits and Losses, Statement of Total Consolidated Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Report, the Managing Director's Review, the Finance Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 May 2007 and of the group's profit and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
31 August 2007

Consolidated Profit and Loss Account

For the year ended 31 May 2007

	Note	Before Exceptionals 2007 £000s	Exceptionals 2007 £000s (Note 4)	Group 2007 £000s	Group 2006 £000s
Turnover: including share of joint venture	2	161,988	-	161,988	159,755
Less: share of joint venture turnover		(3,616)	-	(3,616)	(4,052)
Group turnover		158,372	-	158,372	155,703
Cost of Sales		(124,463)	-	(124,463)	(121,514)
Gross Profit		33,909	-	33,909	34,189
Other operating income		309	-	309	151
Net operating expenses	3	(34,378)	(855)	(35,233)	(33,376)
Group Operating (Loss)/Profit		(160)	(855)	(1,015)	964
Share of operating profit of joint venture		440	-	440	287
Total Operating (Loss)/Profit including Joint Venture	8	280	(855)	(575)	1,251
Non-operating items:					
Profit on disposal of Tangible Fixed Assets	5			6,084	871
Loss on disposal of Tangible Fixed Assets	5			(106)	(390)
Profit on disposal of Investments	6			2	2
Profit before interest and taxation				5,405	1,734
Interest receivable	7a			285	86
Interest payable	7a			(1,361)	(1,409)
Other finance income/(expense)	7b			13	(199)
Profit on ordinary activities before taxation				4,342	212
Taxation	9			(2,196)	163
Profit after taxation				2,146	375
Minority Interests in profit for the year				(20)	(11)
Profit for the year				2,126	364

Note of Historical Cost Profits and Losses

For the year ended 31 May 2007

	Group 2007 £000s	Group 2006 £000s
Reported Profit on ordinary activities before taxation	4,342	212
Realisation of property revaluation gains of prior years	5,429	793
Historical cost profit on ordinary activities before taxation	9,771	1,005
Historical cost profit for the year after taxation and minority interest	7,555	1,157

Statement of Total Consolidated Recognised Gains and Losses

For the year ended 31 May 2007

	Note	Group 2007 £000s	Group 2006 £000s
Profit for the financial year		2,126	364
Actuarial gain/(loss) recognised in the pension scheme	27	8,087	(1,018)
Movement on deferred tax asset relating to pension scheme	19	(2,426)	305
Recognition of impairment in revaluation reserve	22	-	(150)
Movement on revaluation reserve	22	(411)	-
Tax effect of realisation of property revaluation gains		(1,629)	-
Total recognised gains/(losses) for the year		5,747	(499)

Consolidated Balance Sheet

At 31 May 2007

	Note	Group 2007 £000s	Group 2006 £000s
Fixed Assets			
Intangible assets	11	361	407
Tangible assets	12	32,332	41,618
Investments	13	107	117
Investment in Joint Venture:			
Share of Gross Assets		5,256	5,004
Share of Gross Liabilities		(1,551)	(1,749)
		36,505	45,397
Current Assets			
Stock	14	11,728	11,970
Debtors	15	22,156	22,792
Cash at bank and in hand		74	-
		33,958	34,762
Creditors - amounts falling due within one year	16	(29,614)	(36,528)
Net Current Assets/(Liabilities)		4,344	(1,766)
Total Assets less Current Liabilities		40,849	43,631
Creditors - amounts falling due after more than one year	17	(4,643)	(5,614)
Provisions for liabilities and charges	18	(1,404)	(1,333)
Net assets excluding Pension Liability		34,802	36,684
Net Pension Liability	27	(4,475)	(12,116)
Net assets		30,327	24,568
Capital and Reserves			
Called up share capital	20	16,413	16,413
Merger reserve	21	(7,343)	(7,343)
Revaluation reserve	22	14,536	20,376
Profit and loss account	23	6,634	(4,953)
Equity shareholders' funds	24	30,240	24,493
Equity minority interests	25	87	75
Total equity shareholders' funds		30,327	24,568

The financial statements on pages 16 to 38 were approved by the Board of Directors on 31 August 2007 and were signed on its behalf by:

J. W. Pugh
J. H. Hardman
} Directors

Parent Company Balance Sheet

At 31 May 2007

	Note	2007 £000s	2006 £000s
Fixed Assets			
Intangible assets	11	240	256
Tangible assets	12	32,303	12,294
Investments	13	9,417	9,427
Investment in Joint Venture		631	881
		42,591	22,858
Current Assets			
Stock	14	11,567	11,820
Debtors	15	18,509	26,180
Cash at bank and in hand		74	-
		30,150	38,000
Creditors - amounts falling due within one year	16	(39,490)	(60,047)
Net Current (Liabilities)		(9,340)	(22,047)
Total Assets less Current Liabilities		33,251	811
Creditors - amounts falling due after more than one year	17	(4,643)	(5,613)
Provisions for liabilities and charges	18	(1,310)	(1,333)
Net assets/(liabilities) excluding Pension Liability		27,298	(6,135)
Net Pension Liability	27	(4,475)	(12,116)
Net assets/(liabilities)		22,823	(18,251)
Capital and Reserves			
Called up share capital	20	16,413	16,413
Merger reserve	21	(7,343)	(7,343)
Revaluation reserve	22	14,536	-
Profit and loss account	23	(783)	(27,321)
Equity shareholders' funds		22,823	(18,251)

The financial statements on pages 16 to 38 were approved by the Board of Directors on 31 August 2007 and were signed on its behalf by:

J. W. Pugh
J. H. Hardman
Directors

Consolidated Cash Flow Statement

For the year ended 31 May 2007

	Note	Group 2007 £000s	Group 2006 £000s
Net cash inflow/(outflow) from operating activities	(a)	4,548	(515)
Returns on investments and servicing of finance			
Interest received		176	-
Interest paid		(1,314)	(1,442)
Interest element of finance lease payments		(57)	(87)
Dividend paid to minority interests		(9)	-
		(1,204)	(1,529)
Taxation			
Corporation tax paid		-	(18)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,162)	(3,160)
Sale of tangible fixed assets		7,743	1,432
		5,581	(1,728)
Acquisitions and disposals			
Purchase of investments		-	(192)
Goodwill purchased		(80)	-
Sale of investments		12	9
		(68)	(183)
Net cash inflow/(outflow) before use of liquid resources and financing		8,857	(3,973)
Financing			
(Decrease)/Increase in Members' loans		(3)	1
Decrease in Members' Retirement Scheme		(23)	(28)
Decrease in finance loans		(4)	(9)
Repayment of loans		(700)	(700)
Capital element of finance lease payments		(316)	(271)
Net cash (outflow) from financing		(1,046)	(1,007)
Increase/(Decrease) in cash for the year	(b)	7,811	(4,980)

Consolidated Cash Flow Statement Notes

For the year ended 31 May 2007

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

	Group 2007 £000s	Group 2006 £000s
Operating (loss)/profit	(1,015)	964
Depreciation charge	4,879	2,560
Goodwill amortisation	126	119
Pension past service credit	(1,871)	-
Decrease in stock	242	680
Decrease/(Increase) in debtors	4,041	(2,092)
(Increase) in creditors	(910)	(1,812)
Excess of pension contributions over charge	(944)	(916)
Provisions reduction	-	(18)
Net cash inflow/(outflow) from operating activities	4,548	(515)

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

	Group 2007 £000s	Group 2006 £000s
Increase in cash in hand	74	-
Decrease/(Increase) in net overdraft	7,737	(4,980)
Decrease in loans	700	700
Decrease/(Increase) in Members' loans	3	(1)
Decrease in lease financing	316	95
Decrease in Members' Retirement Scheme	23	28
Decrease in finance loans	4	9
Non-cash changes	-	18
Movement in net debt for the year	8,857	(4,131)
Opening net debt	(21,054)	(16,923)
Closing net debt	(12,197)	(21,054)

(c) Analysis of Net Debt

Group	At 1 June 2006 £000s	Cash Flow £000s	At 31 May 2007 £000s
Cash in hand	-	74	74
Due within one year:			
Cash in hand and at bank, advances and overdrafts	(9,597)	7,737	(1,860)
Bank loans	(4,100)	-	(4,100)
Members' loans	(95)	3	(92)
Finance leases	(315)	49	(266)
Due after one year:			
Bank loans	(5,250)	700	(4,550)
Members' Retirement Scheme	(1,333)	23	(1,310)
Finance loans	(4)	4	-
Finance leases	(360)	267	(93)
	(21,054)	8,857	(12,197)

Notes to the Financial Statements

For the year ended 31 May 2007

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.

Basis of consolidation

The financial statements of the Group represent the consolidation of Countrywide Farmers plc and its subsidiary undertakings. All material inter-company transactions and balances are eliminated. In the case of acquisitions and disposals of businesses, the results of trading are consolidated from or to the date upon which control passes.

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

Tangible fixed assets

Tangible fixed assets 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	2.5% - 10% p.a. straight line
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 held at historical cost has been impaired, the impairment is charged to the profit and loss account and the asset is carried at its recoverable amount.
Where impairment losses are recognised on revalued assets and the loss is not caused by a consumption of the economic benefits of the asset, they are charged to the statement of total recognised gains and losses.

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. 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.

Derivative financial instruments

The group has in place an interest rate swap the details of which are fully disclosed in note 16. Such derivative instruments are used for hedging purposes to alter the risk profile of existing underlying exposures within the group. Interest differentials, under swap arrangements used to manage interest rate exposure on borrowings and current asset investments, are recognised by adjusting interest payable or receivable as appropriate.

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 pension schemes, a defined contribution and a hybrid scheme containing both deferred benefit and defined contribution sections. 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 section of the hybrid 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. The assets of the defined section of the hybrid scheme are measured using closing market rates. Pension scheme liabilities are measured using the Defined Accrued Benefits method and discounted at the current rate of return on high quality corporate bonds of equivalent terms. The increase in the present value of the liability of the scheme expected to arise from employee service during the period is charged to operating profit. The expected return on scheme assets and the increase during the period in the present value of the schemes liabilities, arising from the passage of time, are included as an interest expense. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. In respect of the defined contribution scheme and the defined contribution section of the hybrid scheme, the amount charged to the profit and loss account represents contributions payable to the independent investment managers, who operate the schemes, in funds separate from those of the Group. The Group provides no other post retirement benefits to its employees.

2) SEGMENTAL REPORTING

	Turnover 2007 £000s	Operating Profit/(Loss) 2007 £000s	Net Operating Assets 2007 £000s
Continuing operations			
Agriculture	71,701	(467)	5,691
Retail	58,053	1,985	27,210
Energy	28,618	291	3,526
Corporate	-	(1,969)	6,992
	158,372	(160)	43,419
Exceptional costs (note 4)	-	(855)	-
Group	158,372	(1,015)	43,419
Energy Joint Venture activity	3,616	440	2,071
Group Total	161,988	(575)	45,490

Reconciliation of Net Operating Assets to the Balance Sheet	**£000s**
Net Operating Assets	45,490
Less Bank Advance and Loans	(8,686)
Less Corporation and Deferred tax	(2,002)
Less Net Pension Liability	(4,475)
Net Assets as at 31 May 2007	30,327

	Turnover 2006 £000s	Restated Operating Profit/(Loss) 2006 £000s	Restated Net Operating Assets 2006 £000s
Continuing operations			
Agriculture	68,196	(209)	7,973
Retail	57,191	2,466	36,331
Energy	30,316	411	4,745
Corporate	-	(1,554)	3,986
	155,703	1,114	53,035
Exceptional costs (note 4)	-	(150)	-
Group	155,703	964	53,035
Energy Joint Venture activity	4,052	287	1,616
Group Total	159,755	1,251	54,651

Reconciliation of Net Operating Assets to the Balance Sheet	**£000s**
Net Operating Assets	54,651
Less Bank Advance and Loans	(18,947)
Less Corporation and Deferred tax	980
Less Net Pension Liability	(12,116)
Net Assets as at 31 May 2006	24,568

The Group operates and trades only in the United Kingdom.

Segmental Reporting has been revised to allow visibility of the three core trading operations, recognising a separate line for corporate costs. The comparatives have been restated and now show corporate costs separately.
The principal operating assets comprising property and plant equipment have been allocated to the businesses in line with use.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2007

3) NET OPERATING EXPENSES

	Group 2007 £000s	Group 2006 £000s
Distribution costs	5,583	6,017
Administration costs	29,650	27,359
	35,233	33,376

This includes exceptional costs as set out in note 4.

4) EXCEPTIONAL COSTS

The principal components of the exceptional costs include business re-organisation costs and the pension credit.

	Group 2007 £000s	Group 2006 £000s
Redundancy and other personnel related costs	345	150
Accelerated depreciation of fixed assets	2,131	-
Past service pension credit (note 26)	(1,871)	-
Other	250	-
	855	150

5) NET PROFIT ON SALE OF TANGIBLE FIXED ASSETS

The net profit on sale of tangible fixed assets of £5,978,000 (2006: £481,000) arose principally 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 of £2,167 arose principally from the disposal of the shares in Farmers Crop Chemicals Limited. (2006: £2,240).

7a) INTEREST

	Group Total 2007 £000s	Group Total 2006 £000s
Interest Receivable		
Interest receivable on bank deposit	176	-
Joint Venture interest receivable	109	86
	285	86
Interest Payable		
Interest payable on bank loans and overdrafts	918	935
Interest on invoice discounting finance	367	378
Interest on other loans	10	7
Interest payable on finance leases	57	87
Interest payable other than Joint Venture	1,352	1,407
Joint Venture interest payable	9	2
	1,361	1,409

7b) OTHER FINANCE (INCOME)/EXPENSE

	Group Total 2007 £000s	Group Total 2006 £000s
Other finance (income)/expense - pension scheme	(13)	199

8) TOTAL OPERATING (LOSS)/PROFIT

	Group Total 2007 £000s	Group Total 2006 £000s
Total Operating (Loss)/Profit is stated after charging:		
Staff costs (note 26)	13,850	16,439
Depreciation		
Tangible owned fixed assets	4,841	2,543
Tangible fixed assets held under finance leases	38	17
Within joint venture	351	327
Goodwill amortisation	126	119
Operating lease charges		
Plant and machinery	949	950
Other	2,210	1,281
Auditors' remuneration in respect of:		
Audit of the parent company and consolidated financial statements	51	62
Other services:		
- Subsidiary company audit services	13	12
- Tax advisory services	110	25
- Interim review	25	-
- Other	15	69

9) TAX ON PROFIT ON ORDINARY ACTIVITIES

	Group Total 2007 £000s	Group Total 2006 £000s
Current tax		
United Kingdom corporation tax at 30% (2006: 30%)	163	8
Overprovision in respect of previous year:		
Group	(7)	(2)
Current tax charge	156	6
Deferred tax: Group	1,930	(281)
Joint Venture	110	112
Tax on profit on ordinary activities	2,196	(163)

The element of the current tax charge attributable to the Joint Venture is £6,000 (2006: £nil)

Factors affecting tax charge for the year

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

	Group Total 2007 £000s	Group Total 2006 £000s
Profit on ordinary activities before tax	4,342	212
Profit on ordinary activities at the standard rate in the UK, (30%)	1,303	64
Effects of:		
Expenses not deductible for tax purposes	1,010	412
Capital allowances for year in excess of depreciation	(325)	(298)
Other timing differences	(925)	(246)
Unrecognised trading losses	-	80
Differences between book gains and taxable gains	(894)	-
Tax of group company at marginal rates	(6)	(4)
Adjustments to tax charge in respect of previous year	(7)	(2)
Current tax charge for the year	156	6

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.

Announcements were made in the March 2007 Budget that the following changes to the corporation tax legislation would be enacted in the 2007 and 2008 Finance Acts:

1) the reduction of the main rate of corporation tax to 28% from 1 April 2008 onwards (FA 2007);
2) the abolition of balancing adjustments on the sale of an industrial building (FA 2007); and
3) the phasing out of industrial buildings allowances from 2008 onwards (FA 2008).

None of the above changes had been substantively enacted at the balance sheet date, and so the numbers reported in the financial statements have not been adjusted for any of the above changes.

The effect of the changes to be enacted in FA 2007 would be to reduce the deferred tax asset recognised at 31 May 2007 by £32,000, with a corresponding reduction to the profit and loss. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate and the abolition of balancing adjustments on the sale of industrial buildings. The group's share of the deferred tax liability recognised in the joint venture would have decreased by £16,000. The potential value of the group's unrecognised trading losses is also reduced by £122,000.

The changes to be enacted in FA 2008 will have no incremental impact on the deferred tax asset recognised at 31 May 2007. However, the phasing out of industrial buildings allowances from 2008 onwards will result in the loss of future reliefs potentially worth approximately £164,000.

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 profit for the period attributable to the Company is £35,822,000 (2006: £1,966,000 loss).

This profit arises due to a group reorganisation that has taken place in the year whereby the assets of two subsidiary companies Midland Shires Farmers limited and WMF limited have been distributed up to the parent company.

11) INTANGIBLE FIXED ASSETS

	Group £000s	Company £000s
Cost		
At 1 June 2006	880	729
Additions	80	80
Disposals	(33)	(33)
At 31 May 2007	927	776
Amortisation		
At 1 June 2006	473	473
Charge for the year	126	96
Disposals	(33)	(33)
At 31 May 2007	566	536
Net book value at 31 May 2007	361	240
Net book value at 31 May 2006	407	256

Goodwill that arose on the acquisitions of businesses is being amortised on a straight line basis over a period of 5 years. This is the period 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	Freehold Land and Buildings £000s	Leasehold Property £000s	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost					
At 1 June 2006	34,406	27	23,097	2,744	60,274
Additions	48	232	1,690	192	2,162
Disposals	(5,954)	-	(6,136)	(650)	(12,740)
Reclassification	2,061	1,424	(2,846)	(639)	-
Revaluation	(411)	-	-	-	(411)
At 31 May 2007	30,150	1,683	15,805	1,647	49,285
Depreciation					
At 1 June 2006	3,701	27	12,866	2,062	18,656
Charge for the year	2,091	83	2,490	215	4,879
Disposals	(189)	-	(5,747)	(646)	(6,582)
Reclassification	927	543	(965)	(505)	-
At 31 May 2007	6,530	653	8,644	1,126	16,953
Net book value at 31 May 2007	23,620	1,030	7,161	521	32,332
Net book value at 31 May 2006	30,705	-	10,231	682	41,618

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

	2007 £000s	2006 £000s
Net book value at 31 May	217	968

Analysis of Land and Buildings

	Group 2007 £000s	Group 2006 £000s	Company 2007 £000s	Company 2006 £000s
Analysis of land and buildings at cost or valuation				
At cost	9,084	10,329	9,084	-
At valuation	14,536	20,376	14,536	-
	23,620	30,705	23,620	-

The Group's freehold properties were revalued at 31 May 2007 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 DTZ Debenham Tie Leung, a firm of independent Chartered Surveyors.

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.

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

	Group 2007 £000s	Group 2006 £000s	Company 2007 £000s	Company 2006 £000s
Freehold and long leasehold land and buildings				
At cost	15,614	14,030	15,614	-
Aggregate depreciation	(6,530)	(3,701)	(6,530)	-
	9,084	10,329	9,084	-

TANGIBLE FIXED ASSETS

Company	Land and Buildings £000s	Leasehold Property £000s	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost					
At 1 June 2006	1,462	-	23,049	2,715	27,226
Additions	48	232	1,687	192	2,159
Disposals	-	-	(6,136)	(650)	(6,786)
Intergroup transfer	26,991	27	-	-	27,018
Reclassification	2,061	1,424	(2,673)	(812)	-
Revaluation	(411)	-	-	-	(411)
At 31 May 2007	30,151	1,683	15,927	1,445	49,206
Depreciation					
At 1 June 2006	45	-	12,839	2,048	14,932
Charge for the year	1,872	83	2,483	213	4,651
Disposals	-	-	(5,748)	(646)	(6,394)
Intergroup transfer	3,687	27	-	-	3,714
Reclassification	927	543	(965)	(505)	-
At 31 May 2007	6,531	653	8,609	1,110	16,903
Net book value at 31 May 2007	23,620	1,030	7,318	335	32,303
Net book value at 31 May 2006	1,417	-	10,210	667	12,294

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

	2007 £000s	2006 £000s
Net book value at 31 May	217	968

13) FIXED ASSET INVESTMENTS

Group	Own shares £000s	Other investments £000s	Associate Companies £000s	Total £000s
Cost at 1 June 2006	51	58	8	117
Disposals	-	(2)	(8)	(10)
At 31 May 2007	51	56	-	107

Company	Investments in subsidiary companies £000s	Own shares £000s	Other investments £000s	Associate Companies £000s	Total £000s
Cost at 1 June 2006	9,310	51	58	8	9,427
Disposals	-	-	(2)	(8)	(10)
At 31 May 2007	9,310	51	56	-	9,417

Own shares

At 31 May 2007, 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.

14) STOCK

	Group 2007 £000s	Group 2006 £000s	Company 2007 £000s	Company 2006 £000s
Raw materials and consumables	463	590	463	590
Finished goods	11,265	11,380	11,104	11,230
	11,728	11,970	11,567	11,820

15) DEBTORS

	Group 2007 £000s	Group 2006 £000s	Company 2007 £000s	Company 2006 £000s
Trade debtors	14,428	18,481	14,379	18,424
Amounts owed by subsidiary companies	-	-	11	4,293
Other debtors	1,379	1,719	1,356	940
Prepayments and accrued income	1,956	1,604	1,942	1,575
Deferred taxation	-	988	821	948
Accrued capital receipt	4,393	-	-	-
	22,156	22,792	18,509	26,180

The Group's financing arrangements include the use of invoice discounting as explained in note 16. Included in trade debtors for the Group of £14,416,000 (2006: £18,481,000) and for the Company of £14,368,000 (2006: £18,424,000) are amounts of £193,000 (2006: £11,000,000) on which finance has been raised.

16) CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2007 £000s	Group 2006 £000s	Company 2007 £000s	Company 2006 £000s
Bank loans, advances and overdrafts	5,815	7,177	6,175	7,506
Amounts due in respect of invoice discounting	145	6,520	145	6,520
Members' loans	92	95	92	95
Trade creditors	17,220	18,364	17,129	18,209
Amounts owed to subsidiary companies	-	-	9,018	22,009
Finance lease obligations	266	315	264	311
Corporation tax	1,792	8	1,779	-
Other taxation and social security	1,286	1,161	1,277	1,155
Accruals and deferred income	2,998	2,888	3,611	4,242
	29,614	36,528	39,490	60,047

Banking facilities

The Group's principal bankers at 31 May 2007 were Barclays Bank PLC.

On 3 September 2004 the Group entered into a Rate Swap Transaction, effective from 30 September 2004, initially in respect of interest on its term loan of £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 its term loan for the periods detailed immediately above by replacing floating rate interest risk with fixed interest commitments. The nominal value of the swap reduces each year in line with the groups repayment of the term loan. At 31 May 2007, the balance was £5,250,000 (2006: £5,950,000).

On 7 September 2004, the following banking facilities were put in place:
(1) Term loan facility of £7,000,000 repayable in 10 years bearing interest at 1.85% above LIBOR.
(2) Revolving credit facility of £4,000,000.
(3) Invoice discounting facilities up to £10,000,000 bearing a discount charge of 1.25% above the higher of Barclays Bank PLC's Base Rate.
(4) An overdraft facility of £2,500,000 bearing interest at Barclays Bank PLC's Base Rate plus 1.25% up to £1,000,000 and Base Rate plus 1.75% over £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 2007.

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

Since the year end, the revolving loan has been repaid.

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

	Group 2007 £000s	Group 2006 £000s	Company 2007 £000s	Company 2006 £000s
Bank loans	4,550	5,250	4,550	5,250
Finance loan	-	4	-	4
Finance lease obligations	93	360	93	359
	4,643	5,614	4,643	5,613

Maturity Statement

Group	Bank 2007 £000s	Finance Leases 2007 £000s	Other Financial Liabilities 2007 £000s	Total 2007 £000s
In one year or less, or on demand	5,960	266	92	6,318
In more than one year, but not more than two years	700	36	-	736
In more than two years, but not more than five years	2,100	57	-	2,157
In more than five years	1,750	-	-	1,750
	10,510	359	92	10,961

	Bank 2006 £000s	Finance Leases 2006 £000s	Other Financial Liabilities 2006 £000s	Total 2006 £000s
In one year or less, or on demand	13,697	315	95	14,107
In more than one year, but not more than two years	700	267	4	971
In more than two years, but not more than five years	2,100	93	-	2,193
In more than five years	2,450	-	-	2,450
	18,947	675	99	19,721

Company	Bank 2007 £000s	Finance Leases 2007 £000s	Other Financial Liabilities 2007 £000s	Total 2007 £000s
In one year or less, or on demand	6,320	264	92	6,676
In more than one year, but not more than two years	700	36	-	736
In more than two years, but not more than five years	2,100	57	-	2,157
In more than five years	1,750	-	-	1,750
	10,870	357	92	11,319

	Bank 2006 £000s	Finance Leases 2006 £000s	Other Financial Liabilities 2006 £000s	Total 2006 £000s
In one year or less, or on demand	14,026	311	95	14,432
In more than one year, but not more than two years	700	266	4	970
In more than two years, but not more than five years	2,100	93	-	2,193
In more than five years	2,450	-	-	2,450
	19,276	670	99	20,045

18) PROVISIONS FOR LIABILITIES AND CHARGES

Members Retirement Scheme and Deferred tax

	Group £000s	Company £000s
Members' Retirement Scheme	1,310	1,310
Deferred tax	94	-
At 31 May 2007	1,404	1,310

Members' Retirement Scheme Group and Company

	£000s
At 1 June 2006	1,333
Paid in Year	(23)
At 31 May 2007	1,310

The Members' Retirement Scheme is a closed non-interest bearing fund, made up of 60% of members trading bonuses paid to former Midland Shires Farmers Limited members. Funds are paid to individual members upon request, gross of any tax after they reach the age of 65 or to the estate of deceased members.

19) DEFERRED TAX (ASSET)

	Group 2007 £000s	Group 2006 £000s	Company 2007 £000s	Company 2006 £000s
Accelerated Capital Allowances	(223)	(397)	(223)	(448)
Short term timing differences	(99)	(1)	(98)	-
Losses	(500)	(500)	(500)	(500)
Capital gains/(losses)	916	(90)	-	-
	94	(988)	(821)	(948)
Deferred tax on pension liability	(1,918)	(5,192)	(1,918)	(5,192)
	(1,824)	(6,180)	(2,739)	(6,140)

Movement in Deferred Tax

	2007 Group £000s
Deferred tax asset at 1 June 2006	(6,180)
Deferred tax charge to the profit and loss account (excluding Joint Venture)	1,930
Deferred tax charge to the statement of total recognised gains and losses	2,426
Deferred tax asset at 31 May 2007	(1,824)

In accordance with the provisions of FRS 19 'Deferred Tax', deferred tax assets have been recognised to the extent that it is more likely than not that they are recoverable on the basis of current forecast and uncertainties. The total asset not recognised for the Group and Company is £1,831,520 (2006: £1,937,730) all of which relates to trading losses. In addition to this there is an unprovided deferred tax liability of £983,000 (2006: £1,070,987) in respect of gains rolled into assets which are not going to be sold in the foreseeable future.

20) SHARE CAPITAL

	2007 £000s	2006 £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 2007 £000s	Group 2006 £000s	Company 2007 £000s	Company 2006 £000s
Merger reserve	(7,343)	(7,343)	(7,343)	(7,343)

The Merger reserve represents the difference between the nominal value of the share capital issued by Countrywide Farmers 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.

22) REVALUATION RESERVE

	Group 2007 £000s	Group 2006 £000s	Company 2007 £000s	Company 2006 £000s
At 1 June 2006	20,376	21,319	-	-
Transfer to profit and loss account on disposal	(5,429)	(793)	-	-
Arising on transfer from subsidiaries	-	-	14,947	-
Movement on property revaluation	(411)	-	(411)	-
Recognition of impairment in revaluation reserve	-	(150)	-	-
At 31 May 2007	14,536	20,376	14,536	-

23) PROFIT AND LOSS ACCOUNT

	Group £000s	Company £000s
At 1 June 2006	(4,953)	(27,321)
Retained profit for the year	2,126	35,824
Realisation of property valuation gain	5,429	-
Actuarial gain on pension scheme	8,087	8,087
Movement on deferred tax relating to pension liability	(2,426)	(2,426)
Transfer to revaluation reserve (note 22)	-	(14,947)
Tax effect of realisation of revaluation gain	(1,629)	-
At 31 May 2007	6,634	(783)

24) RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Group	2007 £000s	2006 £000s
At beginning of year	24,493	24,992
Retained profit for the year	2,126	364
Actuarial gain/(loss) on pension scheme	8,087	(1,018)
Movement on deferred tax relating to pension liability	(2,426)	305
Recognition of impairment in revaluation reserve	-	(150)
Movement on property revaluation	(411)	-
Tax effect of realisation of revaluation gain	(1,629)	-
At end of the year	30,240	24,493

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

	2007 £000s	2006 £000s
Wages and salaries	14,002	14,433
Social security costs	1,348	1,385
Other pension costs	371	621
Credit arising from pension scheme amendment	(1,871)	-
	13,850	16,439

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

	Full Time Equivalent 2007 Number	Full Time Equivalent 2006 Number	Headcount 2007 Number	Headcount 2006 Number
Agriculture	143	207	151	219
Retail	493	438	580	532
Energy	69	52	74	58
	705	697	805	809

Remuneration of Directors	2007 £000s	2006 £000s
Aggregate emoluments (including benefits in kind)	413	407
Compensation for loss of office	-	150
Contribution to defined contribution pension scheme	20	24
	433	581

Retirement benefits are accruing to one Director under the hybrid Countrywide Farmers Retirement Benefit Scheme (2006: one). Retirement benefits are accruing to one director under the Countrywide Farmers Money Purchase Scheme (2006: none).

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

	2007 £000s	2006 £000s
Highest paid Director		
Emoluments:	145	136
Defined benefit pension scheme:		
Accrued pension as at 31 May	29	21

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 2007 was £182,170 (2006: £179,922).

Countrywide Farmers Retirement Benefits Scheme
The fund was closed to new members on 31 December 1999 and to the accrual of future defined benefits on 31 December 2004. From 1 January 2005 benefits in this scheme have accrued on a defined contribution basis. The charge to the profit and loss account for this scheme for the year ended 31 May 2007 was £202,000 (2006: £240,000).

Additional contributions paid by the company during the year totalled £944,000 (2006: £916,000)

A formal valuation of the scheme was carried out as at 30 November 2003 and the company agreed to pay an additional £0.9 million per annum from October 2004 to reduce the deficit identified in the final salary section of the scheme. Following a valuation on 5 April 2006, this increases to £1.0 million from October 2007.

The latest valuation of the scheme was determined by a professionally qualified actuary using the Defined Accrued Benefits 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 4.0% per annum and that after retirement, investment earnings would exceed pension increases by 2.0% per annum. The market value of the assets at 31 May 2007 was £67.5 million, which represented 91% of the value of the liabilities assessed on these assumptions.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2007

A full actuarial valuation of the Countrywide Farmers Retirement Benefits Scheme was carried out at 5 April 2006 and has been updated to 31 May 2007 by a qualified independent actuary. The major assumptions used by the actuary in the valuation of the scheme under FRS17 are:

	At 31 May 2007	At 31 May 2006	At 31 May 2005
Rate of increase of pensions in payment	2.75%	2.75%	2.25%
Rate of increase in deferred pensions	2.75%	2.75%	2.25%
Discount rate	5.70%	5.00%	5.10%
Inflation assumption	3.00%	3.00%	2.50%

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

	Expected rate of return	Value at 31 May 2007 £000s	Expected rate of return	Value at 31 May 2006 £000s	Expected rate of return	Value at 31 May 2005 £000s
Equities/property	7.00%	56,098	7.00%	46,639	7.00%	39,369
Government bonds/cash	5.00%	4,252	4.30%	8,209	4.50%	666
Corporate bonds	5.50%	7,172	5.00%	4,183	5.10%	12,180
Total market value of assets		67,522		59,031		52,215
Actuarial value of liability		(73,915)		(76,339)		(69,222)
Deficit in the scheme		(6,393)		(17,308)		(17,007)
Related deferred tax asset		1,918		5,192		5,102
Net pension liability		(4,475)		(12,116)		(11,905)

Analysis of the amount (credited)/charged to operating profit in respect of defined benefit scheme:

	At 31 May 2007 £000s	At 31 May 2006 £000s
Current service cost	202	242
Past service credit	(1,871)	-
Total operating (credit)/charge	(1,669)	242

Analysis of the amount (credited)/charged to other finance income:

	At 31 May 2007 £000s	At 31 May 2006 £000s
Expected return on pension scheme assets	(3,761)	(3,317)
Interest on pension liabilities	3,748	3,516
Net (return)/expense	(13)	199

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

	At 31 May 2007 £000s	At 31 May 2006 £000s
Actual return less expected return on assets	6,540	4,899
Experience gains and losses arising on the scheme liabilities	(1,904)	-
Changes in assumptions	3,451	(5,917)
Net gain/(loss) recognised	8,087	(1,018)

Movement in deficit during the year:

	At 31 May 2007 £000s	At 31 May 2006 £000s
Deficit in scheme at beginning of year	(17,308)	(17,007)
Movement in year:		
Current service costs	(202)	(242)
Past service credit	1,871	-
Contributions	1,146	1,158
Net finance income/(expense)	13	(199)
Actuarial gain/(loss)	8,087	(1,018)
Deficit in scheme at end of year	(6,393)	(17,308)

History of experienced gains and losses:

	At 31 May 2007 £000s	At 31 May 2006 £000s
Difference between expected and actual return on scheme assets:		
Amount (£'000s)	6,540	4,899
Percentage of scheme assets	9.70%	8.30%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000s)	9,958	(1,018)
Percentage of scheme liabilities	13.5%	(1.3%)

28) LEASE COMMITMENTS

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

	Land and Buildings 2007 £000s	Other Plant and Machinery 2007 £000s	Group 2007 £000s	Company 2007 £000s
Within one year	23	476	499	457
Within two to five years inclusive	205	1,947	2,152	1,975
Over five years	1,188	-	1,188	1,188
	1,416	2,423	3,839	3,620

	Land and Buildings 2006 £000s	Other Plant and Machinery 2006 £000s	Group 2006 £000s	Company 2006 £000s
Within one year	52	141	193	140
Within two to five years inclusive	216	1,547	1,763	549
Over five years	1,046	-	1,046	1,046
	1,314	1,688	3,002	1,735

29) CAPITAL COMMITMENTS

	Group 2007 £000s	Group 2006 £000s	Company 2007 £000s	Company 2006 £000s
Capital expenditure contracted but not provided for	789	93	789	93

30) PRINCIPAL SUBSIDIARIES

Subsidiary undertakings	Nature of business	Type of shares	% Share holding	Country of registration	Reporting date
Countrywide LP Gas Limited	LPG Supplier	£1 ordinary	100%	England	31 May
MSF (Welland Valley Feeds) Limited	Inputs to farming trade	£1 ordinary	80%	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.

The group's share of the results of the joint venture business is as follows :

	2007 £'000	2006 £'000
Turnover	3,616	4,052
Profit before taxation	540	370
Taxation	(116)	(112)
Profit after taxation	424	258
Fixed assets	3,018	2,707
Current assets	2,238	2,297
Liabilities due within 1 year	(1,312)	(1,749)
Liabilities due after 1 year	(239)	-

31) RELATED PARTY 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 2007 £000s	Transactions 2006 £000s	Debt at 31 May 2007 £000s	Debt at 31 May 2006 £000s
R.C. Beldam	Non Executive Director	219	212	19	24
T.D. Holderness-Roddam	Non Executive Director	37	57	1	5
M.F. Price	Non Executive Director	99	108	18	35

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

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 2007 to £10,510,000 (2006: £17,174,000). In addition, this guarantee covers bank guarantees of £1,295,000 (2006: £2,395,000).

At the year end the Group was committed to minimum payments of £994,652 in relation to contracts for the supply of gas and electricity for resale (2006: £1,392,750).

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.

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 2.00 p.m. on 27 September 2007 at the Frank Parkinson Centre, Pershore College, Avonbank, Pershore, Worcestershire, WR10 3JP 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 2007.
2. To re-elect Mr Timothy David Holderness-Roddam 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. Leslie John Collins who retires pursuant to Article 84 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
4. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the directors to fix their remuneration.
5. That the Company may send or supply documents or information to members, including the Company's annual report and accounts, by making them available on a website.

SPECIAL RESOLUTION

6. THAT, 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) 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 notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements. (See note 4 for an explanation of this resolution).

By order of the Board	*Registered Office*
L.J. Collins	*Defford*
Company Secretary	*Earls Croome*
31 August 2007	*Worcester*
	WR8 9DF

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, Defford, Earls Croome, Worcester, WR8 9DF not less than 48 hours before the time for holding the meeting.

4. 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.

Countrywide Sites

*Opens September 2007

Countrywide Farmers plc, Defford, Earls Croome, Worcestershire WR8 9DF
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