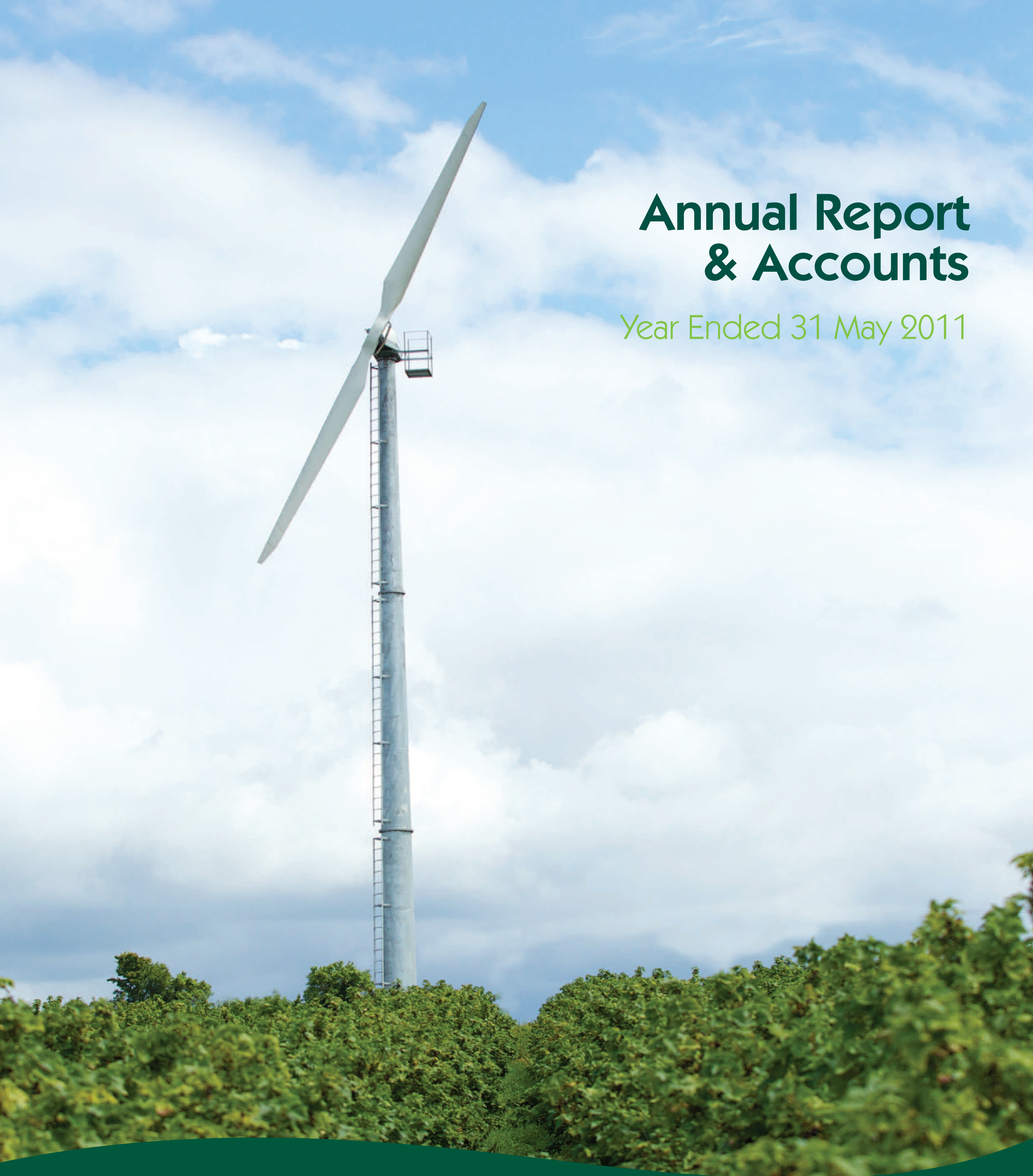
Annual Report & Accounts

Year Ended 31 May 2011



countrywide Farmers plc

FOR THE COUNTRY WISE

About Countrywide

Countrywide is the leading supplier of products and services to the rural community. Living and working within our local communities we appreciate not only the rural way of life but the needs of our customers.

Our products and services, offering consistent quality and value for money, span the Farming, Smallholder, Equestrian, Rural Business and Country Home sectors and are delivered through our Retail Stores, Direct Sales teams and on-Line.

From our Country Stores we sell a vast range of products including farming, equestrian, pet, country clothing and gardening products. Specialist advice is on hand for account customers from our experienced Direct Sales and Advisory Teams who work together to provide knowledge and expertise, be it for livestock feeds and husbandry, arable, fuel, LPG, renewable energy and amenity products. Our account customers also have a single point of contact to telephone our Customer Service Centre to place orders, to ask for advice and to make payments.

In all aspects of our business we aim to deliver a personal service, share our knowledge and expertise whilst looking to the latest products and innovations – to shape a future as vibrant as our 100 year heritage.

Countrywide operates within the rural community supplying products, services and advice to key customers through the network of country stores or through the field sales team.

Our commitment to customers is to provide:-

WISE ADVICE Employees with knowledge and experience to ensure they offer customers sound, practical advice for products and services.

WISE CHOICE Products that are fit for purpose for people who live and work in the countryside.

WISE BUY Offers that provide customers with best value on key products wherever we can.

countrywide

FOR THE COUNTRY WISE

Contents

Chairman's Report 2011

Introduction

I am delighted to report record operating profits for another year. This performance reflects the continued hard work of management and staff to grow the business. It has been achieved at a time when the UK economy has been stagnant and the prospects and timing of a sustained improvement are still not certain. The Chief Executive's Review details the progress achieved in each of our trading businesses on pages 3 to 5.

Financial Results

I am pleased to report a group operating profit of £4.0m (2010: £3.6m). Property gains, principally arising from the sale of surplus land at Melksham, totalled £5.0m in the year. Cash interest costs of £0.5m (2010: £0.5m) are in line with last year reflecting the continued benefit of low bank base rates throughout the year. The interest charge on the group's pension scheme was £0.7m (2010: £1.2m) resulting in a total interest cost of £1.2m (2010: £1.7m). The Group therefore reports a profit before taxation of £7.9m (2010: £2.0m). Tax on profit on ordinary activities shows a charge of £1.6m (2010: £0.9m).

Retained Profit for the year at £6.3m means the company ends the year with positive distributable reserves of £2.1m. These positive reserves would technically allow a dividend to be paid but in taking a view as to whether it would be appropriate to declare a dividend the Board has to consider whether positive distributable reserves will be sustainable in the future. Unfortunately the reduction in equity values since the year end point to the risk of a sharp increase in the pension deficit in 2012. The Board has therefore decided to defer considering paying a dividend until the forward position on distributable reserves is clearer. I would like to remind all shareholders holding at least 3,000 shares that they are eligible to obtain a shareholder discount of 5% on all store purchases; further details can be found on our website or from the Share Registrar.

I am also pleased to report net debt at 31 May 2011 of £9.0m which is £0.9m below last year. The proceeds from the sale of surplus land at Melksham have been re-invested in the acquisition and fit out of a new Head Office at Evesham and the opening of the relocated Melksham store. Net cash inflow from operating activities at £4.8m (2010: £6.2m) reflects improved profitability offset by net negative working capital movements and higher pension contributions. Shareholder funds have risen to £29.6m (2010: £24.5m) boosted by the profit on the sale of land at Melksham. This is equivalent to £0.90 per share (2010: £0.75 per share). Gearing at 31 May 2011 stands at 30% of shareholder funds (2010: 40%).

Strategy

The Board first approved a three year strategy in 2008, and it has been updated in each subsequent year. Our vision remains for Countrywide to be the leading business in the supply of products and advice to the rural community, through offering quality and value for money, supported by expert knowledge and a personal service. The business has completed a major internal review redefining how all parts of our business serve our customers and is now well advanced in terms of implementing these changes. While the full benefits will take time to be realised, they will ultimately play a major part in improving all aspects of the customer experience and enable the financial performance of the business to continue to improve.

Long Term Incentive Plan

The Board first adopted a Long Term Incentive Plan (LTIP) in May 2008 designed to align the interests of a small number of key executives with those of the shareholders by focusing on long term value creation. This first tranche of share awards have now been released and I am pleased to report that the business has achieved 83% of the profit and cash targets based on exceeding the first three year strategic plan. The Board firmly believes the LTIP has helped to retain and motivate the executive directors and key senior management to deliver the company's strategic plan and a further tranche of awards was made on 27 May 2011. Full details of the LTIPs are included in note 22 on page 38 of the Report and Accounts.

Small Shareholder Offer

Following on from the successful offer in 2009, the Board wrote to all shareholders owning 3,000 shares or fewer in October 2010. The Board offered to buy these shares at a small premium to the market price and at no dealing cost to the shareholder. The Board was delighted with the positive response to this offer and at the closing date we had received responses from 70% of the 4,200 shareholders written to. A total of 4,026,000 shares were ultimately acquired and these are now held in trust for the purposes of satisfying the Employee Save as you Earn Scheme and the LTIP. The company now has 4,500 shareholders.

People

Directors retiring by rotation and standing for re-election at the Annual General Meeting on 29 September 2011 are myself and Stuart Crebo. Timothy Holderness-Roddam, our deputy Chairman, is also standing for re-election as he has passed his third re-appointment. The company articles require a non-executive director's reappointment to be subject to annual confirmation following his third reappointment and then at all subsequent annual general meetings.

I acknowledge the contribution of our Executive Board and most importantly all our staff during the past year in delivering another record level of operating profits.

Chairman's Report 2011 *(Continued)*

Future Prospects

Trading conditions in all of our markets are expected to remain challenging in the next financial year with renewed uncertainty on world markets as to the course and sustainability of economic recovery. The company has achieved significant and sustained improvements in operating profitability in recent years as the benefits of the three year strategy have been realised. The current plan aims to deliver further growth and I am delighted to report the acquisition of Heart of England Grain Company Limited on 1 August 2011. Full details of the acquisition are included in the Chief Executive's Review and note 26 on page 42 in the Report and Accounts.

Finally, I look forward to meeting all shareholders attending our Annual General Meeting which is being held at our new Evesham head office at 2.00pm on Thursday 29 September.

Nigel Hall
Chairman
24 August 2011

Chief Executive's Review

Review of Operations

In the last twelve months, market conditions have remained challenging and economic growth remains slow with competition intense. Against this backdrop, it is pleasing to report a fourth consecutive year of record operating profits. We have focussed on improving customer service to drive sales volumes to achieve another excellent performance as well as implementing structural and business developments that provide the platform for future growth.

Our Agriculture business performed strongly against last year and registered a 40% growth in operating profits with feed volumes increasing significantly during the year. The Energy business was boosted by improved margins and also delivered strong profit growth. The Retail business maintained its level of profitability despite the tough market conditions and weaker trading in the second half of the year.

Group sales grew by 10% to £226.3m (2010: £205.8m) reflecting volume growth and increases in raw material prices. Continued focus on margin management and tight control of costs, led to an operating profit of £4.0m (2010: £3.6m). Property gains, principally arising from the sale of land at Melksham, totalled £5.0m in the year. Cash interest costs of £0.5m (2010: £0.5m) were in line with last year and the interest charge on the group's pension scheme was £0.7m (2010: £1.2m) resulting in a total interest cost of £1.2m (2010: £1.7m). The Group therefore reports a profit before taxation of £7.9m (2010: £2.0m).

The customer loyalty card has been rolled out to the whole retail estate and we have now issued over 80,000 cards. Of these 50,000 are actively being used in store rewarding our most loyal customers with further value. We have introduced new sub-branding "For the Countrywise" to embed the knowledge and expertise we provide to our customers.

In recent years, the business has been based at Defford, Worcestershire. The site extends to nearly fifteen acres and has always been home to our central warehouse and distribution operations together with our Energy storage and engineering facilities as well as accommodating our head office staff. The Board decided to re-invest part of the proceeds from the sale of land at Melksham and acquire new freehold offices at the Vale Business Park in Evesham. These offices were refitted and 200 staff moved across to the new facilities in April 2011. As well as providing first class accommodation for our staff, these new offices make a real statement of the on-going transformation of the business.

We held a second supplier conference and charity golf day recently to update our key suppliers on company strategy and performance. The event was a great success and raised a total of £30,000 for the company charity, Riding for the Disabled. Finally, we have recently completed our first Corporate Social Responsibility statement and the full statement is now accessible via the company website.

Last year we announced a major internal review redefining how all parts of our business serve our customers – the "customer first" programme. We have redefined our business operating model and this is the last time you will see reporting on our Agriculture, Energy and Retail segments. We now recognise two channels to market- Direct Sales and Retail. The Direct Sales channel supplies products and services to our customers and includes the Agriculture and Energy segments. The Retail channel includes our 48 stores that offer a comprehensive range of products for the rural community.

Agriculture

I am delighted our Agriculture business reported increased operating profits of £1.4m (2010: £1.0m) before corporate costs. Agricultural sales increased by 14% to £95.6m (2010: £83.6m) driven by higher commodity prices and volume growth in compound feed.

Compound feed volumes increased by 10% thanks to our strategy to continue to grow our infield ruminant sales team coupled with the acquisition of Gloucester Animal Feeds in the second half of the year. We have agreed a partnership with Cornwall Farmers, allowing them to source and sell their Pinnacle range of compound feeds through a long term supply agreement. The performance in our blends and straights business was disappointing with volumes down on last year and the failure of an important supplier resulting in margins down and profitability reduced. Overall however, the contribution from our feed business increased by an impressive 30%. The effect of higher commodity prices was particularly evident in Fertiliser, with sales values rising 20% on similar volumes. The Seed and Turf and Amenity businesses both had strong years and contributed to the excellent profit improvement.

The performance of our Agricultural business was again ahead of expectations against the backdrop of volatile commodity prices that continued to cause uncertainty throughout the industry. We continue to pro-actively develop the business and expand the sales management team with the recruitment of experienced field sales staff. On the product side, in conjunction with our suppliers, we continue to offer customers innovative solutions to the challenges faced in the industry. At a time of growing concern amongst livestock producers about the long term effect grass shortages could have on livestock performance, we have launched a new drought tolerant grass hybrid "Perseus" developed by DLF-Trifolium. We also attended a number of events and trade shows including the flagship Royal Welsh show and CLA Game fair at Blenheim.

Chief Executive's Review *(Continued)*

Special mention should be made of the contribution of our Account Management team who continue to serve customers who trade with both our Direct Sales and Retail businesses.

Retail

Sales increased by over 4% to nearly £79m and 'like-for-like" sales increased by 1.3%. Operating profits, before corporate costs, remained level at £3.6m (2010: £3.6m), but on a like for like basis, excluding new stores, operating profits before corporate costs increased by £0.2m (4%) to £3.8m (2010: £3.6m). The year was very much a story of two halves with a strong first half of the year followed by a much weaker second half where transactions numbers fell below last year.

A key part of our retail strategy remains the upgrading of our store portfolio. Major refurbishments were completed at Chipping Norton, Witney and Evesham. These refurbished stores incorporate all aspects of the new branding directing customers to a wide range of products supported by sound advice from store staff. A key element of the refits is a new Farmer Service Area with a service desk and office, where farmers can order inputs like feed and arable products and buy medicines dispensed by AMTRA trained qualified staff. A number of lower cost store refreshes were also implemented across the store estate in the year.

Following the sale of land at Melksham in September 2010, the Melksham retail store was successfully relocated to an existing building on an adjacent site that had been refurbished. In October 2010 we completed the acquisition of the South West's largest specialist equestrian retailer, Town and Country Supplies based just outside Exeter. The purchase strengthens our presence in the South West and extends our expertise in equine, a key customer segment for the business. The store was refurbished and extended in January 2011 with the introduction of new clothing and footwear ranges.

We continue to develop our own brand ranges across all categories with particular focus on the Kadence brand. Countrywide own brand now accounts for 20% of sales in our retail business. We have also introduced some exciting third party brands including specialist feeds from Saracens and Bailey's as well as rolling out Ariat footwear throughout our stores.

We were delighted to be named Distributor of the Year at the prestigious "Over the Counter" Awards. The award recognises Countrywide's range of services, specialist advice and high levels of customer service in the supply of Animal Health products. Danny Greaves our store space planner has been shortlisted as a finalist in the Retail Week Rising Star awards for a second year. Finally a comprehensive range of "How to Guides" have been compiled and launched on our website to inform and assist customers.

Energy

An operating profit of £1.4m before corporate costs was recorded (2010: £1.2m)

We increased new LP Gas bulk tank sales over the year and volumes and margins grew steadily. We announced an exciting partnership with Flogas in April 2011 for them to supply new Countrywide customers outside of our current delivery area. It allows the business to widen its customer base without incurring the significant investment required to set up new storage and distribution infrastructure. Performance in the Fuels business was improved with increased focus on margin rather than volume to drive higher contributions. We also took the decision in May 2011 to sell our non-core fuel card business to a trade buyer as we continue to focus on our core customer segments.

In October 2010, the business acquired the trade and assets of rural services provider 7Y. 7Y provides farmers with specialist services that are a key part of running a flexible and profitable farm business. The business is based just outside Leominster in Herefordshire and as well as continuing to serve existing 7Y customers their portfolio of services are being offered to the wider Countrywide customer base. In December 2010, 7Y completed their first installations of solar panels on farm buildings including livestock sheds, cold stores and poultry buildings. In partnership with Green Earth Energy who install the panels, 7Y has a regular supply of panels being sourced for customers in 2011 with installations up to 450kw.

Corporate

We have continued to recognise "Corporate" as a dedicated line in the segmental analysis shown in note 2 to these accounts. Corporate costs not allocated to the three businesses include board and corporate salaries, legal, property and bank fees and associated costs. During the year £300k of one off consultants costs have been incurred assisting with the "customer first" programme. Corporate net operating assets recorded at £2.6m at 31 May 2011 comprise land and buildings including the new head office at Evesham.

Chief Executive's Review *(Continued)*

Outlook

Our performance in the first three months of the 2012 financial year remains on track as we continue to pursue a number of exciting opportunities to grow our business and launch our new Customer Relationship Management (CRM) system. The CRM system will ultimately ensure we have up to date and relevant information on existing and prospective customers including orders placed and enquiries made. This will ensure customers receive the best possible service and advice. We now recognise five distinct customer segments- Farmers, Smallholders, Rural Businesses, Equestrian owners, and Country House owners. Our marketing and customer contact activity will be focussed on meeting the needs of these five different segments.

The outlook for UK Agriculture remains positive with the prospects for the arable and livestock sectors strong. The dairy sector remains under some price pressure although conditions are improving. Variable weather around the world coupled with the growing demand for food in the emerging economies continues to drive volatile world commodity prices as crop yields and consequently prices fluctuate. The pressure to increase UK food production and to encourage the consumption of UK grown food continues, helping to underpin the growth and prosperity of UK Agriculture. We continue our policy of buying compound feed ingredients up to twelve months ahead to provide a hedge against commodity price increases. This policy will help protect our business from commodity price movements in the short term and enable us to continue to provide excellent value to our customers. We continue to strengthen our Direct sales team to sell our full range of products across all our key customer groups.

We were delighted to complete the acquisition of Heart of England Grain Company Limited on 1 August 2011 for an anticipated total consideration of £2.7m. Founded in 1982 and with a growing trade of combinable crops, Heart of England Grain serves farmers across the heartland of England, supplying leading blue chip millers and feed compounders direct from farm or via third party storage facilities. The acquisition is a significant step in the growth of our Direct Sales business adding substantial capacity to our existing trading activities and further strengthening our offer to our arable customers. Countrywide farming customers will now have the opportunity to market their crops with Heart of England giving customers the widest product and services offer. Also included is the Heart of England Country Feeds business trading out of two sites in the area. This represents an exciting development for our own equine business, providing equestrian feeds, forage and bedding products direct to the customer, increasing the reach of our business and bringing Countrywide expertise to a wider audience.

We have recently launched a major new venture that enhances the Company's position in the UK farm renewable energy sector. Delivering a full range of renewables from solar photovoltaic panels to biomass boilers, wind turbines, anaerobic digestion systems, and specific solutions for poultry farmers including heat exchangers, the Countrywide Renewable Energy business offers a complete renewables service that includes initial consultation, surveying, installation and grid connection, as well as a first class aftercare service. The venture was launched at the flagship Royal Welsh Show and enables our customers to invest in renewables projects to gain control of escalating energy costs utilising available Feed-in Tariffs and Renewable Heat Incentives.

We continue to seek opportunities to grow the Retail store portfolio in 2012 through a combination of new stores and business acquisitions. A new store has recently opened at Bell Plantations, a garden centre at Towcester, in July 2011. There are a number of other opportunities being progressed that require planning approval and we expect to open three further new stores in the second half of the financial year. In light of the continuing competitive market place, we are promoting a new value offer that gives exceptional value for money across a range of core products. We are introducing specific in store specialists covering key areas such as equine, pet and store accounts who provide customers with tailored service and advice. Finally we are teaming up with Hartpury College, based just outside Gloucester, to offer specialist retail and management development training to store managers and deputies selected from across our retail stores.

After our record operating results in 2011 we are aiming to improve our performance again in 2012. Looking forward the outlook for the economy generally is tougher than ever before and it was clear in the second half of the year that customers are starting to feel the pressure of the difficult economic conditions. Considerable uncertainty and volatility exists in the UK and World economies and the business cannot expect to remain completely immune from these factors. In particular, the impact of measures taken by the government to reduce the public deficit has yet to take full effect. The outlook for Agriculture remains positive and this should continue to support the industry generally and our business specifically. The major structural work we have completed on improving the customer focus in the business will bring benefits in 2012 and beyond. We also continue to invest in all aspects of our business as we pursue the right strategy for the growth and long term prosperity of the business.

A final thank you is reserved for all our employees. With their continued on-going dedication and commitment we have achieved another excellent set of results.

John Hardman
Chief Executive
24 August 2011

Finance Review

Balance Sheet and Cash Flow

The company acquired three businesses in the year for a total consideration of £1.7m generating additional goodwill of £1.0m that has been recognised in these accounts. Further details are provided in note 9 on page 31. Fixed asset additions in the year totalled £9.4m and included £4.2m for the purchase and refurbishment of our new head office at Evesham. We invested £1.9m in new tanks and cylinders to support the strong growth of our gas business. We relocated our store at Melksham at a cost of £1.6m and refurbished a number of stores at a total cost of £0.8m. This expenditure was substantially funded by the disposal of surplus land at Melksham earlier in the year.

High raw material and commodity prices continue to have an impact on the levels of working capital in the business with prices finishing the year significantly higher than at the start of the year. Since the balance sheet date, global market conditions remain volatile and uncertainty in commodity based markets is expected to continue.

Stocks at the end of the year at £19.5m were £2.1m (12%) up on the levels at 31 May 2010. Stock from the business acquisitions in the year accounted for £0.6m of the increase with the balance explained by higher raw material and commodity prices. The business continues to ensure stock levels are carefully managed to support the company growth plans. Debtors at £23.6m increased £0.8m (3%) over last year. Trade debtors at £22.2m were £3.1m (16%) up on last year reflecting significantly higher input prices at the end of the year. The ageing of these debts has slightly worsened over the year with a small but increasing number of customers taking longer to settle balances due. Creditors due within one year at £33.7m were £2.6m (8%) up on last year again reflecting higher input prices.

The group had a net cash inflow from operating activities of £4.8m (2010: £6.2m) reflecting improved profitability offset by net negative working capital movements and higher pension contributions. The second small shareholder offer resulted in the purchase of £1.2m of Countrywide shares by the Employee Benefit Trust. It is pleasing to report a reduction in net debt at 31 May 2011 to £9.0m (2010: £9.8m) and a £0.3m fall in Members' Retirement Scheme balances that we are actively looking to settle with beneficiaries. Shareholder funds have risen to £29.6m (2010: £24.2m) boosted by the profit on the sale of land at Melksham. This is equivalent to £0.90 per share (2010: £0.75 per share). Gearing at 31 May 2011 stands at 30% of shareholder funds (2010: 40%).

The Chief Executive's Review details the acquisition of Heart of England Grain Company Limited on 1 August 2011 for an anticipated consideration of £2.7m. An initial cash consideration of £1.8m was paid on completion with the deferred consideration of £0.9m to be paid to Heart of England shareholders over the next three years. Completion accounts are being prepared as at 1 August and the total consideration will be adjusted upward or downward by the net working capital in the business at that date. The goodwill on acquisition is expected to be £1.45m. Further details of the acquisition are included in note 26 on page 42. The acquisition will be fully funded by cash generation from the Group's existing business.

Pensions

We continue to operate a defined contribution pension scheme for our employees. The charge to the profit and loss account for the scheme was £0.2m (2010: £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 £1.9m (2010: £1.1m). The last valuation of the closed defined benefit scheme was at 5 April 2009 and the company agreed with the pension trustees to increase its annual contribution to £2m pa with effect from 1 July 2010. The next tri-annual valuation is due as at 5 April 2012.

The valuation of the scheme under FRS 17 at 31 May 2011 gave rise to a fall in the pension deficit of £1.5m to £17.1m (2010: £18.6m) or £0.7m to £12.6m (2010: £13.4m) after deferred tax. Scheme assets are substantially invested in equities and there has been a substantial improvement in asset values with the rise in equity markets over the period. There has also been an increase in calculated liabilities as discount rates have fallen and two changes of assumptions that impact on liabilities in different ways. The future uplift of deferred pensions will now be on the basis of the CPI (Consumer Prices Index) rather than the RPI (Retail Prices Index) and this change of assumption reduces scheme liabilities by £2.8m. Clarification has also been received from legal advisers to the pension trustees around the date of equalisation of normal retirement ages for men and women within the scheme. The outcome of this clarification is that scheme liabilities have increased by £2m. Full details of all the other assumptions underlying the actuarial valuation are included in Note 23.

Distributable reserves and tax

Distributable reserves for the company finished the year £2.1m in surplus (2010: £6.5m deficit) with movements summarised in Note 19. Retained profits in the year have been boosted by the £5m profit on disposal of fixed assets and the associated £2.5m realisation of the property valuation gain all arising from the disposal of land at Melksham. There was also a small reduction in the pension scheme deficit based on the value of the pension scheme assets at 31 May 2011.

Finance Review *(Continued)*

Tax on profit on ordinary activities shows a charge of £1.6m (2010: £0.9m). The tax charge on current year profits of £0.4m (2010: £0.1m) is detailed in Note 5. The deferred tax charge to the profit and loss account of £1.2m (2010: £0.8m) is detailed in Note 16. Chargeable gains have arisen in the year on the sale of land at Melksham. Partial rollover relief has been assumed following the reinvestment of some of these proceeds in the new head office at Evesham, the new store on the adjacent site at Melksham and other projects. Further tax deferral has been assumed against other qualifying expenditure that results in a switch from current to deferred tax. This results in a current tax on chargeable gains of £0.2m and deferred tax on capital gains of £0.3m.

The corporation tax rate decreased from 28% to 26% from 1 April 2011 and this change has led to a £0.4m reduction in the deferred tax asset previously recognised in the accounts principally in the STRGL. Further changes are planned to reduce the rate of corporation tax to 23% by 2014.

The business enjoys brought forward tax losses that help shelter the majority of its tax liability on trading profits. Based on the current financial projections these losses are expected to be fully utilised in three years.

Banking facilities

The group's banking facilities are detailed in Note 13 to the accounts. The core facilities total £18m with a seasonal increase to £20.5m. These facilities will provide sufficient headroom to implement the business strategy and are secured at competitive rates. The business is comfortably operating within the covenants that apply to these facilities.

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 use of these contracts is not speculative. The Directors estimate the value of open contracts at 31 May 2011 to be £10.9m (2010: £10.4m)

The 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.

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 13 to these accounts including the interest rates that apply to the different liabilities. The Group has entered into two interest swap transactions to fix the interest on part of the Group's borrowings which are also described in this note.

Les Collins
Finance Director
24 August 2011

Directors' Profiles

NIGEL HALL (Chairman) Age 56

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 and C&J Clark Limited. Owns a small farm in mid-Devon near Tiverton.

TIM HOLDERNESS-RODDAM (Deputy Chairman) Age 68

Joined the Board in 2001, Deputy Chairman since 2004. Trustee of Countrywide Farmers Retirement Benefits Scheme. Director of Abercrombie & Kent Limited.
Chairman of British Equestrian Federation Fund (BEFF). Director of British Eventing Limited (BE).
Former Managing Director of United Molasses Group. Arable Farmer and equine stud owner.

JOHN HARDMAN (Chief Executive) Age 49

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 50

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 between 2000 and 2006 and joined Countrywide Farmers in November 2006.

SIR BEN GILL Age 61

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, Eden Research Plc, Meritas Developments Ltd and Visit Herefordshire Ltd and member of the Marches LEP Board.
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.
Chairman of the Nominations Committee.

NORMAN LEECE Age 60

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 which provides support to small and medium sized businesses in the energy and technology sectors.
Chairman of the Remuneration Committee.

STUART CREBO Age 57

Has held a number of senior positions in Corporate Banking, both in the UK and USA. Currently Managing Director of White Eagle Consulting Ltd, Non-Executive Director of Cornish Farm Dairy Ltd and Devon Waste Management Ltd. From 1996 to 2009 was Director of Ernst & Young specialising in advising on corporate finance mergers and acquisitions as well as assisting various enterprises develop their commercial strategy and generate value for shareholders.
Chairman of the Audit Committee.

Registered Office and Advisers

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

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 31 May 2011.

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, seeds, 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 (2010: £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 2011 the average payment period was 56 days (2010: 47 days).

Financial Instruments

As part of its overall financing strategy, the Group has entered into swap transactions to fix the interest rate on part of the Group's borrowings. These transactions are described in note 13 to the financial statements. As at 31 May 2011, the market value of these swaps was a £249,617 loss (2010: £396,178 loss).

Business Review and Future Developments

The review of operations of the Group is covered in the attached Chief Executive's Review.

Directors and Directors' Interests

The Directors of the Company during the year to 31 May 2011 and their beneficial interests in the share capital of the Company are listed below:

	Shares 2011	Shares 2010
N.P. Hall (Chairman)	232,321	182,321
T.D. Holderness-Roddam (Deputy Chairman)	265,818	255,818
J.H. Hardman (Chief Executive)	21,163	17,557
L.J. Collins (Finance Director)	37,066	7,200
Sir Ben Gill	12,180	12,180
N.K.Leece	32,238	32,238
S. Crebo	10,034	5,489

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 Chief Executive 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.

Donations

During the year, the group donated £39,120 (2010: £15,000) to the Riding for the Disabled Association, which is a registered charity.

Corporate Social Responsibility

The Board is committed to ensuring Countrywide is a responsible company ensuring business operations are environmentally, socially and ethically sustainable for the long term. In doing so the Board aim to demonstrate clear leadership by supporting our customers and our staff, and by remaining focussed on dealing with the key issues that matter to the rural communities we live and work in.

Full details of the Corporate Social Responsibility statement can be found on the company website.

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
24 August 2011

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 and five non-executive Directors. The roles of the Chairman, who is non-executive and elected by the Board, and the Chief Executive, are separated. The Chief Executive 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 Group's expense. They seek to understand the views of shareholders about the Group.

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 Leece (Chairman), Hall and Holderness-Roddam.

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 Crebo (Chairman), Holderness-Roddam, Leece and Sir Ben Gill.

The Committee 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 both 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 Sir Ben Gill (Chairman), and Messrs Hall and Holderness-Roddam.

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. It also reviews and considers wider Company succession plans. 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 2011	12	4	2	1
Attendance of Directors:				
J.H. Hardman	12			
T.D. Holderness-Roddam	12	4	2	1
Sir Ben Gill	12		2	1
N.P. Hall	12	4		1
N.K. Leece	12	4	2	
L.J. Collins	11			
S. Crebo	12		2	

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
24 August 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Countrywide Farmers plc website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website. 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
24 August 2011

Independent Auditors' Report to the Members of Countrywide Farmers plc

We have audited the group and parent company financial statements of Countrywide Farmers plc for the year ended 31 May 2011 which comprise the Consolidated Profit and Loss Account, the Note of Historical Cost Profits and Losses, the Statement of Total Consolidated Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2011 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Ellis (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
24 August 2011

Consolidated Profit and Loss Account

For the year ended 31 May 2011

	Note	Group 2011 £000s	Group 2010 £000s
Turnover	2	226,290	205,754
Cost of Sales		(184,634)	(166,279)
Gross Profit		41,656	39,475
Other operating income		264	630
Net operating expenses		(37,899)	(36,484)
Operating Profit	4a	4,021	3,621
Non Operating Items:			
Profit on disposal of tangible fixed assets	4b	5,025	-
Profit before interest and tax		9,046	3,621
Interest payable	3a	(474)	(450)
Other finance expense	3b	(677)	(1,154)
Profit on ordinary activities before taxation		7,895	2,017
Taxation	5	(1,579)	(949)
Profit after taxation		6,316	1,068
Minority Interests in profit for the year		(42)	(29)
Profit for the year		6,274	1,039

Note of Historical Cost Profits and Losses

For the year ended 31 May 2011

	Group 2011 £000s	Group 2010 £000s
Reported Profit on ordinary activities before taxation	7,895	2,017
Realisation of property revaluation gains of prior years	2,530	-
Historical cost profit on ordinary activities before taxation	10,425	2,017
Historical cost profit for the year after taxation and minority interest	9,363	1,039

Statement of Total Consolidated Recognised Gains and Losses

For the year ended 31 May 2011

	Note	Group 2011 £000s	Group 2010 £000s
Profit for the financial year		6,274	1,039
Actuarial gain/(loss) recognised in the pension scheme	23	290	(519)
Movement on deferred tax asset relating to pension scheme	16	(75)	144
Impact of tax rate change recognised in reserves	16	(371)	-
Total recognised gains for the year		6,118	664

Consolidated Balance Sheet (Registered no. 3776711)

At 31 May 2011

	Note	Group 2011 £000s	Group 2010 £000s
Fixed Assets			
Intangible assets			
Goodwill	7	1,463	818
Negative Goodwill	7	(671)	(777)
		792	41
Tangible assets	8	40,979	38,373
Investments	10	41	41
		41,812	38,455
Current Assets			
Stock	11	19,511	17,454
Debtors	12	23,615	22,830
Cash at bank and in hand		3,982	3,518
		47,108	43,802
Creditors - amounts falling due within one year	13	(33,693)	(31,102)
Net Current Assets		13,415	12,700
Total Assets less Current Liabilities		55,227	51,155
Creditors - amounts falling due after more than one year	14	(12,048)	(12,068)
Provisions for liabilities and charges	15	(965)	(1,222)
Net assets excluding Pension Liability		42,214	37,865
Net Pension Liability	23	(12,642)	(13,359)
Net assets		29,572	24,506
Capital and Reserves			
Called up share capital	17	16,413	16,413
Revaluation reserve	18	12,006	14,536
Profit and loss account	19	975	(6,590)
Equity shareholders' funds	20	29,394	24,359
Equity minority interests		178	147
Total equity shareholders' funds		29,572	24,506

The financial statements on pages 16 to 43 were approved by the Board of Directors on 24 August 2011 and were signed on its behalf by:

NP Hall
JH Hardman } Directors

Parent Company Balance Sheet (Registered no. 3776711)

At 31 May 2011

	Note	2011 £000s	2010 £000s
Fixed Assets			
Intangible assets			
Goodwill	7	1,463	787
Negative Goodwill	7	(671)	(777)
		792	10
Tangible assets	8	40,800	38,170
Investments	10	281	281
		41,873	38,461
Current Assets			
Stock	11	19,234	17,231
Debtors	12	25,222	23,233
Cash at bank and in hand		3,256	2,959
		47,712	43,423
Creditors - amounts falling due within one year	13	(33,393)	(30,835)
Net Current Assets		14,319	12,588
Total Assets less Current Liabilities		56,192	51,049
Creditors - amounts falling due after more than one year	14	(12,048)	(12,066)
Provisions for liabilities and charges	15	(948)	(1,222)
Net assets excluding Pension Liability		43,196	37,761
Net Pension Liability	23	(12,642)	(13,359)
Net assets		30,554	24,402
Capital and Reserves			
Called up share capital	17	16,413	16,413
Revaluation reserve	18	12,006	14,536
Profit and loss account	19	2,135	(6,547)
Equity shareholders' funds		30,554	24,402

The financial statements on pages 16 to 43 were approved by the Board of Directors on 24 August 2011 and were signed on its behalf by:

NP Hall
JH Hardman
} Directors

Consolidated Cash Flow Statement

For the year ended 31 May 2011

	Note	Group 2011 £000s	Group 2010 £000s
Net cash inflow from operating activities	(a)	4,759	6,222
Returns on investments and servicing of finance			
Interest paid		(449)	(454)
Interest element of finance lease payments		(7)	(10)
Dividend paid to minority interests		(11)	(10)
		(467)	(474)
Taxation			
Corporation tax (paid)/received		(80)	42
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(9,334)	(4,474)
Sale of tangible fixed assets		8,503	102
		(831)	(4,372)
Acquisitions and disposals			
Payments to acquire trades and businesses		(1,653)	(1,123)
Receipt from sale of fixed assets		360	1,043
		(1,293)	(80)
Net cash flow before financing		2,088	1,338
Financing			
Decrease in Members' Retirement Scheme		(342)	(30)
Capital element of finance lease payments		(74)	(52)
Purchase of own shares by EBT		(1,208)	(449)
Net cash outflow from financing		(1,624)	(531)
Increase in cash for the year	(b)	464	807

Consolidated Cash Flow Statement Notes

For year ended 31 May 2011

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

	Group 2011 £000s	Group 2010 £000s
Operating profit	4,021	3,621
Depreciation charge	3,361	3,438
Net Goodwill amortisation	237	76
Profit on disposal of fixed assets	(382)	(291)
Increase in stock	(1,492)	(1,044)
(Increase)/Decrease in debtors	(1,620)	929
Increase in creditors	2,367	471
Excess of pension contributions over charge	(1,858)	(1,055)
Share option charge	125	77
Net cash inflow from operating activities	4,759	6,222

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

	Group 2011 £000s	Group 2010 £000s
Increase in cash at bank	464	807
Decrease in lease financing	74	52
Decrease in Members' Retirement Scheme	342	30
Movement in net debt for the year	880	889
Opening net debt	(9,847)	(10,736)
Closing net debt	(8,967)	(9,847)

(c) Analysis of Net Debt

Group	At 1 June 2010 £000s	Cash Flow £000s	At 31 May 2011 £000s
Cash at bank	3,518	464	3,982
Due within one year:			
Finance leases	(75)	54	(21)
Due after one year:			
Bank loans	(12,000)	-	(12,000)
Members' Retirement Scheme	(1,222)	342	(880)
Finance leases	(68)	20	(48)
	(9,847)	880	(8,967)

Notes to the Financial Statements

For the year ended 31 May 2011

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.

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. Turnover is recognised on delivery of goods or their collection by the customer in store. Turnover from the sale of services is recognised when the services have been supplied.

Intangible fixed assets

Intangible fixed assets comprise goodwill which represents the excess or deficit of the fair value of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is carried within 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 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 interest rate swaps, the details of which are fully disclosed in note 13. Such derivative instruments are used for hedging purposes to alter the risk profile of existing underlying exposures within the group. Interest differentials, under swap arrangments 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. These assets are included in fixed assets and the capital element of the leasing commitments is disclosed within 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.

Employee Benefit Trust

The group operates an Employee Benefit Trust (EBT) which is used to hold shares in the company in advance of their distribution under employee incentive schemes. The trust is consolidated into these financial statements with the holdings in the company's own shares being treated as a deduction from shareholders' funds.

Share based payments

As set out in note 22, the group operates a Long Term Incentive Plan for certain key executives who are eligible to receive nil cost share awards at the end of the 3 year vesting period subject to certain performance conditions.

In addition, the group has set up a Savings Related Share Option Scheme that was made available to all employees which allows members to purchase shares in the company at a discounted price at the end of the 3 year vesting period.

The fair value of all the options issued are recognised as an expense in the profit and loss account over the vesting period of the option.

2) SEGMENTAL REPORTING

	Turnover 2011 £000s	Operating Profit/(Loss) 2011 £000s	Net Operating Assets 2011 £000s
Continuing operations			
Agriculture	95,595	1,420	1,732
Retail	78,621	3,666	31,280
Energy	52,074	1,370	15,028
Corporate	-	(2,435)	2,634
Group Total	226,290	4,021	50,674

Reconciliation of Net Operating Assets to the Balance Sheet	£000s
Net Operating Assets	50,674
Less Bank Balance and Loans	(8,018)
Less Corporation and Deferred tax	(442)
Less Net Pension Liability	(12,642)
Net Assets as at 31 May 2011	29,572

	Turnover 2010 £000s	Operating Profit/(Loss) 2010 £000s	Net Operating Assets 2010 £000s
Continuing operations			
Agriculture	83,557	1,014	1,835
Retail	75,748	3,621	29,255
Energy	46,449	1,191	12,846
Corporate	-	(2,205)	1,663
Group Total	205,754	3,621	45,599

Reconciliation of Net Operating Assets to the Balance Sheet	£000s
Net Operating Assets	45,599
Less Bank Advance and Loans	(8,482)
Less Corporation and Deferred tax	748
Less Net Pension Liability	(13,359)
Net Assets as at 31 May 2010	24,506

The Group operates and trades only in the United Kingdom.

Segmental Reporting allows visibility of the three core trading operations recognising a separate line for corporate costs. The principal operating assets comprising property, plant and equipment have been allocated to the businesses in line with use.

3a) INTEREST

	Group 2011 £000s	Group 2010 £000s
Interest Payable		
Interest payable on bank loans and overdrafts	467	440
Interest payable on finance leases	7	10
	474	450

3b) OTHER FINANCE EXPENSE

	Group 2011 £000s	Group 2010 £000s
Other finance expense - pension scheme (Note 23)	677	1,154

4a) OPERATING PROFIT

	Group 2011 £000s	Group 2010 £000s
Operating Profit is stated after charging/(crediting):		
Staff costs (note 22)	21,577	20,287
Depreciation		
Tangible owned fixed assets	3,279	3,328
Tangible fixed assets held under finance leases	82	110
Goodwill amortisation	343	183
Negative goodwill amortisation	(106)	(106)
Operating lease charges		
Plant and machinery	1,606	1,624
Other	2,511	2,533
Profit on sale of fixed assets	(382)	(291)
Auditors' remuneration in respect of:		
Audit of the parent company and consolidated financial statements	63	60
Other services:		
Subsidiary company audit services	5	5
Tax advisory services	62	54
Interim review	19	19
Other	-	9

4b) NON OPERATING ITEM

During the year, the company disposed of property surplus to its requirements for net proceeds of £8,503,000 resulting in a profit on disposal of £5,025,000.

5) TAX ON PROFIT ON ORDINARY ACTIVITIES

	Group 2011 £000s	Group 2010 £000s
Current tax		
United Kingdom corporation tax at 27.67% (2010: 28%)	358	112
Overprovision in respect of prior year	(19)	(33)
Current tax charge	339	79
Deferred tax: (note 16)	1,240	870
Tax on profit on ordinary activities	1,579	949

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (28%). The differences are explained below:

	Group 2011 £000s	Group 2010 £000s
Profit on ordinary activities before tax	7,895	2,017
Profit on ordinary activities at the standard rate in the UK 27.67% (2010: 28%)	2,185	565
Effects of:		
Expenses not deductible for tax purposes	329	374
Capital allowances in excess of depreciation for year	(263)	(419)
Other timing differences	(321)	40
Differences between book gains and taxable gains	(1,168)	-
Losses utilised	(396)	(430)
Tax of group company at marginal rates	(8)	(18)
Adjustments to tax charge in respect of previous year	(19)	(33)
Current tax charge for the year	339	79

Factors that may affect future tax charges

Based on its current plans the company expects the factors affecting future tax charges to be broadly similar to those affecting the charge in the current year. Certain of the Group's fixed assets have base costs below their carrying value due to revaluations and rollover relief claims in prior years. Were these properties to be sold without it being possible to claim rollover relief additional tax would become payable. No provision has been made in relation to these potential gains as there were no unconditional obligations to sell such properties at the balance sheet date.

In the June 2010 Budget Statement reductions in the main rate of corporation tax were proposed which would reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effect of these changes would be to reduce the net deferred tax asset by approximately £500,000 over the 4 years to 31 May 2014, but primarily this reduction is expected to be reflected through reserves rather than impacting on annual profits for those years.

6) PROFITS OF THE PARENT COMPANY

The Parent Company has not presented its own profit and loss account as permitted by Section 408, of the Companies Act 2006.
The amount of profit for the year attributable to the Company is £6,182,000 (2010: £987,000).

7) INTANGIBLE FIXED ASSETS

Goodwill

	Group £000s	Company £000s
Cost		
At 1 June 2010	1,630	1,479
Additions (note 9)	988	988
At 31 May 2011	2,618	2,467
Amortisation		
At 1 June 2010	812	692
Charge for the year	343	312
At 31 May 2011	1,155	1,004
Net book value at 31 May 2011	1,463	1,463
Net book value at 31 May 2010	818	787

Goodwill that arose on the acquisitions of businesses is being amortised on a straight line basis over the period which the Directors estimate that the values of the underlying businesses acquired are expected to exceed the values of the underlying assets.

Negative goodwill

	Group £000s	Company £000s
Cost		
At 1 June 2010 and 31 May 2011	(1,059)	(1,059)
Amortisation		
At 1 June 2010	282	282
Credit for the year	106	106
At 31 May 2011	388	388
Net book value at 31 May 2011	(671)	(671)
Net book value at 31 May 2010	(777)	(777)

Negative goodwill is being written back on a straight line basis over a period of 10 years.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2011

8) TANGIBLE FIXED ASSETS

Group	Freehold Land and Buildings £000s	Leasehold Property £000s	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost/Valuation					
At 1 June 2010	30,447	1,675	37,299	2,048	71,469
Additions	4,104	22	5,070	227	9,423
Disposals	(4,471)	(7)	(1,904)	(118)	(6,500)
At 31 May 2011	30,080	1,690	40,465	2,157	74,392
Depreciation					
At 1 June 2010	8,201	1,064	22,408	1,423	33,096
Charge for the year	524	153	2,412	272	3,361
Disposals	(1,177)	(1)	(1,782)	(84)	(3,044)
At 31 May 2011	7,548	1,216	23,038	1,611	33,413
Net book value at 31 May 2011	22,532	474	17,427	546	40,979
Net book value at 31 May 2010	22,246	611	14,891	625	38,373

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

	2011 £000s	2010 £000s
Net book value at 31 May	100	181

Analysis of Land and Buildings

	Group 2011 £000s	Group 2010 £000s	Company 2011 £000s	Company 2010 £000s
Analysis of land and buildings at cost or valuation				
At cost	10,526	7,710	10,501	7,683
At valuation	12,006	14,536	12,006	14,536
	22,532	22,246	22,507	22,219

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 2011 £000s	Group 2010 £000s	Company 2011 £000s	Company 2010 £000s
Freehold and long leasehold land and buildings				
At cost	18,074	15,911	18,045	15,882
Aggregate depreciation	(7,548)	(8,201)	(7,544)	(8,199)
	10,526	7,710	10,501	7,683

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2011

Company	Freehold Land and Buildings £000s	Leasehold Property £000s	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost/Valuation					
At 1 June 2010	30,418	1,676	37,105	2,018	71,217
Additions	4,104	23	5,065	227	9,419
Disposals	(4,471)	(7)	(1,901)	(118)	(6,497)
At 31 May 2011	30,051	1,692	40,269	2,127	74,139
Depreciation					
At 1 June 2010	8,199	1,063	22,383	1,402	33,047
Charge for the year	522	153	2,390	271	3,336
Disposals	(1,177)	(1)	(1,782)	(84)	(3,044)
At 31 May 2011	7,544	1,215	22,991	1,589	33,339
Net book value at 31 May 2011	22,507	477	17,278	538	40,800
Net book value at 31 May 2010	22,219	613	14,722	616	38,170

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

	2011 £000s	2010 £000s
Net book value at 31 May	95	173

9) ACQUISITIONS

During the year, Countrywide Farmers plc acquired the trade and assets of three businesses for a total cash consideration of £1,653,000. The assets acquired and the results of the businesses from their effective date have been consolidated into the financial statements at 31 May 2011 using the acquisition method of accounting.

The combined fair value, which equated to the book values of the assets and liabilites acquired are set out below. These fair values are provisional and will be reviewed in the first full year following the acquisition. These acquisitions generated goodwill amounting to £988,000 which is being amortised over a five year period.

	£000s
Fixed assets	89
Stock	564
Debtors	12
	665
Consideration	1,653
Goodwill	988

10) FIXED ASSET INVESTMENTS

Group	Total £000s
Cost at 1 June 2010 and 31 May 2011	41

Company	Investments in subsidiary companies £000s	Other investments £000s	Total £000s
Cost at 1 June 2010 and 31 May 2011	240	41	281

Own shares
The group operates an Employee Benefit Trust to hold shares in the company prior to their issue under employee share incentive schemes.

At 1 June 2010, 1,740,845 ordinary shares of 50p each were held at a cost of £500,000 and, during the year, a further 4,030,403 ordinary shares of 50p were repurchased from shareholders at a total cost of £1,208,000.

These investments in the shares of Countrywide Farmers plc have been shown as a deduction from shareholders' funds (note 20).

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2011

11) STOCK

	Group 2011 £000s	Group 2010 £000s	Company 2011 £000s	Company 2010 £000s
Finished goods	19,511	17,454	19,234	17,231

12) DEBTORS

	Group 2011 £000s	Group 2010 £000s	Company 2011 £000s	Company 2010 £000s
Trade debtors	22,169	19,041	22,097	18,970
Amounts owed by subsidiary companies	-	-	1,724	524
Other debtors	91	1,007	67	983
Prepayments and accrued income	1,355	1,935	1,334	1,901
Deferred taxation (note 16)	-	847	-	855
	23,615	22,830	25,222	23,233

13) CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2011 £000s	Group 2010 £000s	Company 2011 £000s	Company 2010 £000s
Trade creditors	24,686	25,282	24,576	25,180
Amounts owed to subsidiary companies	-	-	35	41
Finance lease obligations	21	75	19	71
Corporation tax	357	99	284	57
Other taxation and social security	1,037	868	1,021	859
Accruals and deferred income	7,592	4,778	7,458	4,627
	33,693	31,102	33,393	30,835

Banking facilities
The Group's principal bankers are HSBC Bank plc and the following facilities are in place:

(1) Revolving credit facility of £12,000,000 (plus an additional £2,000,000 to fund the aquistion of trading freehold properties) repayable in full in September 2014 bearing interest at 1.5% above LIBOR.
(2) An overdraft facility (unused at 31 May 2011) of £6,000,000 (increasing to £8,500,000 from the 31 July 2011) bearing interest at 1.5% above the bank's base rate.

These facilities are secured by a first debenture over the assets of Countrywide Farmers plc and a first legal charge over a number of Countrywide Farmers plc's freehold properties. The group has complied with each of the covenants within these facilities during the year.

In addition, the group has previously entered into two interest rate swap transactions to partially hedge the group's exposure to interest rate movements by replacing floating rates of interest with fixed commitments. The first of these swaps has a nominal value that reduces each year until its termination on 30 September 2014 and at 31 May 2011 was £2,450,000 (2010: £3,150,000). The other swap has a fixed nominal value of £3,000,000 and expires on 1 May 2012.

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

	Group 2011 £000s	Group 2010 £000s	Company 2011 £000s	Company 2010 £000s
Bank loans	12,000	12,000	12,000	12,000
Finance lease obligations	48	68	48	66
	12,048	12,068	12,048	12,066

Maturity Statement

Group	Bank 2011 £000s	Finance Leases 2011 £000s	Total 2011 £000s
In one year or less, or on demand	-	21	21
In more than one year, but not more than two years	-	16	16
In more than two years, but not more than five years	12,000	32	12,032
	12,000	69	12,069

	Bank 2010 £000s	Finance Leases 2010 £000s	Total 2010 £000s
In one year or less, or on demand	-	75	75
In more than one year, but not more than two years	12,000	21	12,021
In more than two years, but not more than five years	-	47	47
	12,000	143	12,143

Company	Bank 2011 £000s	Finance Leases 2011 £000s	Total 2011 £000s
In one year or less, or on demand	-	19	19
In more than one year, but not more than two years	-	16	16
In more than two years, but not more than five years	12,000	32	12,032
	12,000	67	12,067

	Bank 2010 £000s	Finance Leases 2010 £000s	Total 2010 £000s
In one year or less, or on demand	-	71	71
In more than one year, but not more than two years	12,000	19	12,019
In more than two years, but not more than five years	-	47	47
	12,000	137	12,137

15) PROVISIONS FOR LIABILITIES AND CHARGES

	2011 Group £000s	2010 Group £000s	2011 Company £000s	2010 Company £000s
Members' Retirement Scheme	880	1,222	880	1,222
Deferred Tax (note 16)	85	-	68	-
	965	1,222	948	1,222

Members' Retirement Scheme	£000s
At 1 June 2010	1,222
Paid in Year	(342)
At 31 May 2011	880

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 or to the estate of deceased members.

16) DEFERRED TAX

	Group 2011 £000s	Group 2010 £000s	Company 2011 £000s	Company 2010 £000s
Accelerated Capital Allowances	774	651	757	642
Short term timing differences	(172)	(176)	(172)	(175)
Losses	(855)	(1,322)	(855)	(1,322)
Capital Gains	338	-	338	
	85	(847)	68	(855)
Deferred tax on pension liability	(4,441)	(5,195)	(4,441)	(5,195)
Total deferred tax asset	(4,356)	(6,042)	(4,373)	(6,050)

Movement in Deferred Tax

	Group Total 2011 £000s
Deferred tax asset at 1 June 2010	(6,042)
Deferred tax charge to the profit and loss account	1,240
Deferred tax charge to the statement of total recognised gains and losses	446
Deferred tax asset at 31 May 2011	(4,356)

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. There is an unprovided deferred tax liability of £1,162,000 (2010: £905,000) in respect of gains rolled into assets which are not expected to be sold in the foreseeable future.

17) SHARE CAPITAL

	2011 £000s	2010 £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

18) REVALUATION RESERVE

	Group 2011 £000s	Group 2010 £000s	Company 2011 £000s	Company 2010 £000s
At 1 June	14,536	14,536	14,536	14,536
Transfer to profit and loss account on disposal	(2,530)	-	(2,530)	-
At 31 May	12,006	14,536	12,006	14,536

19) PROFIT AND LOSS ACCOUNT

	Group £000s	Company £000s
At 1 June 2010	(6,590)	(6,547)
Retained profit for the year	6,274	6,183
Actuarial loss on pension scheme	290	290
Movement on deferred tax relating to pension liability	(446)	(446)
Share option charge	125	125
Realistation of property valuation gain	2,530	2,530
Purchase of own shares by EBT	(1,208)	-
At 31 May 2011	975	2,135

20) RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group 2011 £000s	Group 2010 £000s
At 1 June	24,359	24,118
Retained profit for the year	6,274	1,039
Actuarial gain/(loss) on pension scheme	290	(519)
Movement on deferred tax relating to pension liability	(446)	144
Share option charge	125	77
Purchase of own shares by EBT	(1,208)	(500)
At 31 May	29,394	24,359

21) MINORITY INTEREST

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

22) EMPLOYEES' AND DIRECTORS' REMUNERATION

Staff costs	2011 £000s	2010 £000s
Wages and salaries	19,410	18,276
Social security costs	1,808	1,697
Other pension costs	359	314
	21,577	20,287

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

	Full Time Equivalent 2011 Number	Full Time Equivalent 2010 Number	Headcount 2011 Number	Headcount 2010 Number
Agriculture	128	123	127	122
Retail	613	572	791	750
Energy	116	120	111	116
	857	815	1029	988

Remuneration of Directors	2011 £000s	2010 £000s
Salary, fees and benefits in kind	518	506
Performance related bonuses	62	140
Contribution to defined contribution pension scheme	29	28
	609	674

Retirement benefits are accruing to one Director under the hybrid Countrywide Farmers Retirement Benefit Scheme (2010: one). Retirement benefits are accruing to one director under the Countrywide Farmers Money Purchase Scheme (2010: one).

Aggregate emoluments (excluding pension contributions) include the following amounts paid to the highest paid director:

	2011 £000s	2010 £000s
Emoluments (including performance related bonus)	214	223
Defined benefit pension scheme:		
Accrued pension as at 31 May	41	40

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2011

Long Term Incentive Plan

Over the last four years, Long Term Incentive Plans have been introduced for key executives. In accordance with the scheme rules, the following conditional nil cost share awards were made to the Executive Directors and certain members of senior management. The introductory date of the scheme is shown along with the weighted average share price of the company over the 3 months preceding the introductory date:

	Options at 1 June 2010	Options granted at 27 May 2011	Options exercised in year	Options at 31 May 2011
	No of shares	No of shares	No of shares	No of shares
John Hardman	455,878	169,412	-	625,290
Les Collins	311,309	112,000	-	423,309
Senior Management	399,283	407,529	-	806,812
Total	1,166,470	688,941	-	1,855,411
Weighted average share price		25.5 pence		

The shares involved in the LTIP awards will be released three years from the introductory date subject to the key executives continued employment and the satisfaction of the following performance conditions:

1. 50% of the award is subject to the Company's cumulative profit before interest and tax performance over the three year period achieving agreed targets.
2. 50% of the award is subject to the Company's cumulative cash generation over the three year period achieving agreed targets.

The shares required to satisy the awards will be either existing shares held or acquired by the Company for the purpose of employee benefits or new shares allotted and issued for the purpose.

23) PENSION SCHEMES

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 2011 was £198,368 (2010: £181,853).

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 company's contributions to the defined contribution section of the scheme are recognised within operating profit and amount to £154,000 (2010: £162,000)

The disclosures given below relate to the defined benefit section of this scheme only.

Additional contributions paid by the company during the year totalled £1,858,000 (2010: £1,133,000)

A formal valuation of the scheme was carried out on 5 April 2009 and the company increased its contributions to £2million per annum to reduce the deficit identified in the final salary section of the scheme from July 2010.

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 3.75% per annum and that after retirement, investment earnings would exceed pension increases by 2.25% per annum. The market value of the assets at 5 April 2009 was £46.0million, which represented 61% of the value of the liabilities assessed on these assumptions.

A full actuarial valuation of the Countrywide Farmers Retirement Benefits Scheme was carried out at 5 April 2009 and has been updated to 31 May 2011 by a qualified independent actuary. The major assumptions used by the actuary in the valuation of the scheme under FRS17 are:

	At 31 May 2011	At 31 May 2010	At 31 May 2009
Rate of increase of pensions in payment	3.25%	3.25%	3.00%
Rate of increase in deferred pensions	3.25%	3.25%	3.00%
Discount rate	5.33%	5.75%	6.60%
Inflation assumption - RPI	3.30%	3.25%	3.20%
Inflation assumption - CPI	2.55%	n/a	n/a

Following agreement with the trustees, the deferred pension benefits are now indexed each year in line with CPI as an inflation measure.

Under the mortality tables adopted, the assumed life expectancy at age 65 is as follows:

Life expectancy aged 65	31 May 2011	31 May 2010	31 May 2009
Male currently aged 45	23.1	23.1	23.1
Female currently aged 45	25.9	25.9	25.9
Male currently aged 65	21.2	21.2	22.0
Female currently aged 65	24.0	24.0	24.9

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

	Expected rate of return	Value at 31 May 2011 £000s	Expected rate of return	Value at 31 May 2010 £000s	Expected rate of return	Value at 31 May 2009 £000s
Equities/property	7.00%	46,568	7.00%	44,972	7.00%	37,714
Government bonds/cash	3.90%	4,978	3.60%	5,536	3.90%	5,289
Corporate bonds	5.30%	6,815	5.75%	6,383	6.60%	5,532
Diversified Growth Fund	7.00%	5,169		-		-
Total market value of assets		63,530		56,891		48,535
Actuarial value of liability		(80,613)		(75,445)		(66,471)
Deficit in the scheme		(17,083)		(18,554)		(17,936)
Related deferred tax asset		4,441		5,195		5,022
Net pension liability		(12,642)		(13,359)		(12,914)

Analysis of the amount charged to other finance expense:

	At 31 May 2011 £000s	At 31 May 2010 £000s
Expected return on pension scheme assets	(3,649)	(3,123)
Interest on pension liabilities	4,326	4,277
Net expense	677	1,154

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

	At 31 May 2011 £000s	At 31 May 2010 £000s
Actual return less expected return on assets	4,536	7,523
Changes in actuarial assumptions	(4,246)	(8,042)
Net gain/(loss) recognised	290	(519)

The change in defined benefit obligation and assets for the final salary section of the scheme was:

	2011 £000s	2010 £000s
Defined benefit obligation at beginning of year	75,445	66,471
Interest cost	4,326	4,277
Benefits paid	(3,404)	(3,345)
Actuarial gain on liabilities	4,246	8,042
Defined benefit obligation at end of year	80,613	75,445

	2011 £000s	2010 £000s
Fair value of assets at beginning of year	56,891	48,535
Expected return on assets	3,649	3,123
Employer contributions	1,858	1,055
Benefits paid	(3,404)	(3,345)
Actuarial gain on assets	4,536	7,523
Fair value of assets at end of year	63,530	56,891

History of experience gains and losses:

	2011 £000s	2010 £000s	2009 £000s	2008 £000s	2007 £000s
Experience adjustments on scheme assets:					
Amount (£'000s)	4,536	7,523	(14,806)	6,868	6,540
Percentage of scheme assets	7.14%	13.22%	30.51%	11.17%	9.70%
Total amount recognised in STRGL:					
Amount (£'000s)	290	(519)	(11,070)	(2,576)	9,958
Percentage of scheme liabilities	0.36%	0.69%	16.65%	3.72%	13.50%

	2011 £000s	2010 £000s	2009 £000s	2008 £000s	2007 £000s
Defined benefit obligation	(80,613)	(75,445)	(66,471)	(69,162)	(73,915)
Scheme assets	63,530	56,891	48,535	61,507	67,522
Scheme deficit	(17,083)	(18,554)	(17,936)	(7,655)	(6,393)

24) LEASE COMMITMENTS

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

	Land and Buildings 2011 £000s	Other Plant and Machinery 2011 £000s	Group 2011 £000s	Company 2011 £000s
Within one year	113	225	338	323
Between one and two years	17	463	480	480
Within two to five years inclusive	341	812	1,153	1,018
Over five years	1,863	6	1,869	1,869
	2,334	1,506	3,840	3,690

	Land and Buildings 2010 £000s	Other Plant and Machinery 2010 £000s	Group 2010 £000s	Company 2010 £000s
Within one year	113	113	226	213
Between one and two years	17	171	188	188
Within two to five years inclusive	341	995	1,336	1,197
Over five years	1,853	-	1,853	1,853
	2,324	1,279	3,603	3,451

25) CAPITAL COMMITMENTS

	Group 2011 £000s	Group 2010 £000s	Company 2011 £000s	Company 2010 £000s
Capital expenditure contracted but not provided for	153	1,085	153	1,085

26) POST BALANCE SHEET EVENTS

On 1 August 2011, the Company completed the purchase of Heart of England Grain Company Limited for an anticipated consideration of £2,700,000. An initial cash consideration of £1,800,000 was paid on completion with the deferred consideration to be paid over three years from the acquisition date. The total consideration payable will be confirmed based on the net working capital in the completion accounts.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2011

27) PRINCIPAL SUBSIDIARIES

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

28) 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 2011 £000s	Transactions 2010 £000s	Debt at 31 May 2011 £000s	Debt at 31 May 2010 £000s
T. Holderness-Roddam	Non Executive Director	115	121	26	8

The Group has taken advantage available to it under FRS 8 'Related Party Disclosures' to not disclose transactions or balances with its wholly owned subsidiaries. During the year MSF (Welland Valley Feeds) Ltd made purchases of £323,714 (2010: £374,093) from Countrywide Farmers plc and as at 31 May 2011 owed £67,000 (2010: £70,000).

29) 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 2011 to £8,018,000 (2010: 8,482,000). In addition, this guarantee covers bank guarantees of £265,000 (2010: £270,000)

At the year end the Group was committed to minimum payments of £272,314 in relation to contracts for the supply of gas and electricity for resale (2010: £262,776).

30) 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 pm. on 29 September 2011 at Countrywide House, Asparagus Way, Vale Park, Evesham, Worcestershire, WR11 1GN

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 2011.

2. To re-elect Mr Timothy David Holderness-Roddam who retires pursuant to Article 92.2 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.

3. To re-elect Mr Nigel Patrick Hall who retires pursuant to Article 92.1 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.

4. To re-elect Mr Stuart Crebo who retires pursuant to Article 92.1 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.

5. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the directors to fix their remuneration.

SPECIAL RESOLUTION

6. THAT the directors of the Company (Directors) be given the general power to allot equity securities (as defined in section 560 of the Companies Act 2006 (2006 Act)) wholly for cash, either pursuant to the authority conferred by an ordinary resolution passed on 24 September 2009 (Allotment Resolution) or by way of a sale of treasury shares, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited:

(i) to the allotment of equity securities in connection with an offer of equity securities:

(a) to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(b) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(ii) to the allotment (otherwise then pursuant to paragraph (i) above) of equity securities up to an aggregate nominal amount of £820,000.

The power granted by this resolution will expire on the same date that the Allotment Resolution expires (unless renewed, varied or revoked by the Company prior to or on such date) 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 the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired

By order of the Board
L.J. Collins
Company Secretary
24 August 2011

Registered Office
Countrywide House
Asparagus Way
Vale Park
Evesham
Worcestershire
WR11 1GN

Notice of Annual General Meeting *(Continued)*

Countrywide Farmers plc

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

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, speak and vote instead of him. A Member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A Member may not appoint more than one proxy to exercise rights attached to any one share.

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 duly signed 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, Countrywide House, Asparagus Way, Vale Park, Evesham, Worcestershire, WR11 1GN not less than 48 hours before the time for holding the meeting. If a Member wishes to appoint more than one proxy, each proxy form should specify the shares to which it relates. If you require additional proxy forms, please let us know by telephoning 01386 429500.

4. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

6. To change your proxy instructions simply submit a new proxy appointment. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

7. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registered office, Countrywide House, Asparagus Way, Vale Park, Evesham, Worcestershire, WR11 1GN. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

8. A revocation notice must be received by the Company no later than 48 hours before the time of the meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. However, appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

9. Members who have general queries should contact the Company Secretary at the Company's registered office, Countrywide House, Asparagus Way, Vale Park, Evesham, Worcestershire, WR11 1GN. Members are not permitted to use any electronic address provided either in this notice or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

NOTES TO RESOLUTIONS:

1. Resolution 1 is proposed in order to receive, consider and adopt the Company's annual accounts and the directors' & auditors' reports for the year ended 31 May 2011.

2. Resolutions 2 – 4 are proposed for the re-election of the directors named in those resolutions. Each of these individuals is retiring by rotation in accordance with the Company's articles of association and offers himself for re-election.

3. Resolution 5 relates to the re-appointment of the Company's current auditors.

4. Resolution 6 will, if passed, give the Directors power, pursuant to the Allotment Resolution, to allot equity securities (as defined by section 560 of the 2006 Act) or sell treasury shares for cash:

    - in relation to a rights issue and offers to holders of other equity securities if required by the rights of those securities or as the Directors otherwise consider necessary, up to a maximum nominal amount of £33,587,367 (being the remaining headroom under the Allotment Resolution) which represents approximately 102% of the Company's issued ordinary shares (excluding treasury shares) as at 24 August 2011;

    - in any other case, up to a maximum nominal amount of £820,000 which represents approximately 5% of the Company's issued ordinary shares (excluding treasury shares) as at 24 August 2011.

Notes

Notes

Where to find us

Shop online at www.countrywidefarmers.co.uk

FOR THE COUNTRY WISE

Countrywide Farmers Plc
Countrywide House, Asparagus Way, Vale Park,
Evesham, Worcestershire, WR11 1GN
Tel: 01386 429500
Fax: 01386 429501
Email: enquiries@countrywidefarmers.co.uk
Shop online at www.countrywidefarmers.co.uk