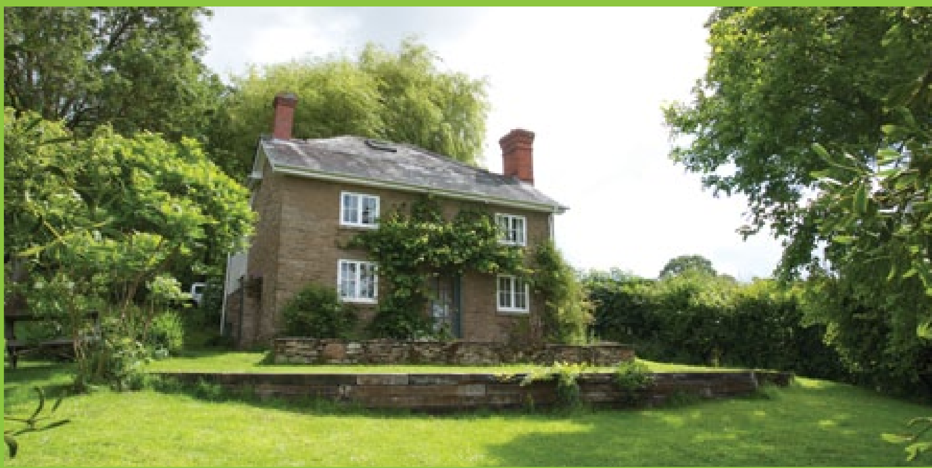
# Annual Report & Accounts

Year Ended 31 May 2012



countrywide
Farmers plc

# 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.

**Our commitment to customers is to provide:**

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

- Products that are fit for purpose for people who live and work in the Countryside.

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

# Contents

# *Chairman's Report 2012*

## Introduction
I am disappointed to report significantly lower operating profits in 2012, with the impact of tough economic conditions and the mild winter lowering demand and reducing margins. At the half year I highlighted that these challenging conditions had led to a review of the operational structure of the business. This review identified cost reductions of £2.5m on an annualised basis that have now been implemented with the majority of the savings coming from our Retail business. While it is never easy taking these tough decisions, the business has reacted swiftly to counter the impact of the changing market. The Chief Executive's Review on pages 3 to 5 provides a comprehensive performance analysis.

## Financial Results
A group operating profit of £1.3m (2011: £4.0m) was reported in the year after absorbing restructuring costs of £0.6m (2011: £nil). In 2011 property gains totalled £5.0m. Cash interest costs of £0.6m (2011: £0.5m) reflect higher borrowings during the year. The interest charge on the group's pension scheme was £0.2m (2011: £0.7m) resulting in a total interest cost of £0.8m (2011: £1.2m). The Group therefore reports a profit before taxation of £0.6m (2011: £7.9m). Tax on profit on ordinary activities shows a charge of £nil (2011: £1.6m) with a retained profit for the year of £0.5m (2011: £6.3m).

Net cash inflow from operating activities at £5.6m (2011: £4.8m) reflects net positive working capital movements more than offsetting lower operating profits. Net debt at 31 May 2012 increased to £11.8m (2011: £9.0m) with capital expenditure and business acquisition costs, including Heart of England and H&C Pearce, totalling £7.8m in the year (2011: £11.0m). In 2011, the business received £8.5m from the sale of surplus land (2012: £0.3m) which had helped fund the higher levels of capital expenditure. Shareholder funds have fallen to £21.8m (2011: £29.6m) reduced by the higher pension deficit and lower property values with full details provided in the Finance Review on pages 6 to 7. This is equivalent to £0.67 per share (2011: £0.90 per share). Gearing at 31 May 2012 stands at 54% of shareholder funds (2011: 30%).

## 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 strategy for our Direct business, which comprises our Agriculture and Energy activities, remains largely unchanged, and looks to expand our trading area and redress our underweight position in arable. To this end, during the year we acquired Heart of England Grain Company Limited and the trade and assets of H&C Pearce & Sons, and I am delighted to report that since the year ended we completed the acquisition of S M Hackett and Son Limited. Further details of the acquisitions are included in the Chief Executive's Review.

The Retail business has suffered a fall in like for like sales and, more significantly, margins are down on last year. The shortfall in performance became clear last autumn and with market conditions unlikely to change for the foreseeable future, the business is being repositioned to restore contribution levels. This repositioning provides an increased focus on Business to Business sales as well as changing the look and feel of the stores. Full details are provided in the Chief Executive's Review.

## 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. Following the disappointing performance in 2012, the business failed to achieve the profit and cash targets required to trigger the second award under the plan and as a result these awards have lapsed. The Board believes the LTIP continues to help retain and motivate the executive directors and key senior management to deliver the company's strategic plan and a further annual award was made on 31 May 2012. Full details of the LTIPs are included in note 22 on page 38 of the Report and Accounts.

## Board
Directors retiring by rotation and standing for re-election at the Annual General Meeting on 27 September 2012 are John Hardman and Les Collins. Tim Holderness-Roddam, our Deputy Chairman, and Norman Leece, Chairman of the Remuneration Committee, will be retiring from the Board at the Board Meeting that precedes the Annual General Meeting.

Tim joined the Board in 2001 and since then has made a major contribution to the growth and development of the business. He has served both myself and my predecessors as Deputy Chairman and Vice Chairman respectively and also has acted as Chairman of the Audit Committee. His knowledge and advice, particularly in the areas of Agriculture and Equestrian, has been a constant source of support and value to the business. Tim remains passionate about Countrywide and has kindly agreed to continue to support the business in a consultative capacity as well as remaining as a Pension Trustee.

# Chairman's Report 2012 *(Continued)*

Norman joined the Board in 2006 and with a long and successful career in the Energy industry, has assisted the Board in growing our important LP Gas division and reshaping our energy business as well as acting as Chairman of the Remuneration Committee.

On behalf of the Board, I would like to thank Tim and Norman for the considerable contribution they have made to the business. The Nomination committee are seeking to recruit a new Non-Executive director and I will be able to update those attending the Annual General Meeting with the status of the search.

## People

I also acknowledge the contribution of our Senior Management Team and, most importantly, all our staff during the past year in what have been challenging times when many difficult decisions have had to be made to ensure the business can return profits to the levels delivered in recent years.

## Future Prospects

Trading conditions in our markets are expected to remain challenging in the next financial year with continued uncertainty as to the course and sustainability of economic recovery. The company had a challenging year in 2012 but the cost savings implemented and the repositioning of the Retail business, have laid the foundations for a significant recovery in operating profitability in 2013. Embedding the new CRM system across the whole business is now well underway and will ultimately provide the platform to grow sales, winning and retaining customers.

Finally, I look forward to meeting all shareholders attending our Annual General Meeting which is being held at our Evesham head office at 2.00pm on Thursday 27 September.

Nigel Hall
Chairman
22 August 2012

# *Chief Executive's Review*

## Review of Operations

The last twelve months have provided the most difficult market conditions I can ever remember. The combination of a stagnant economy and consumers under pressure with declines in real disposable incomes, led to a significant drop in the contribution from our Retail business. The exceptionally mild winter also impacted demand across many key product categories. While our Direct business has traded in line with last year, our Retail business suffered lower like for like sales and more significantly, margins down on last year. The shortfall in performance became clear last autumn and coupled with the conclusion that there had been a fundamental shift in the market with a permanent reduction in discretionary spend, a review of the operational structure of the business including the associated supply chain and support services was completed. This review identified cost reductions of £2.5m on an annualised basis that were implemented in the second half of the year at a cost of £0.6m. In conjunction with this cost reduction, the Retail business has been repositioned with ranges reviewed and stock lines rationalised in certain underperforming categories. We are placing an increased focus on sales to the farming sector as well as starting to change the look and feel of the stores and delivering a number of other improvements and initiatives that will bring further longer term benefits.

Group sales grew by 18% to £266.7m (2011: £226.3m) largely reflecting new business and store sales of £35.3m, principally at our recent acquisition Heart of England. Margins declined in the year particularly in Retail, partly due to the mix of sales with the lower margin categories including agriculture and equestrian feed performing relatively strongly while higher margin categories including clothing and footwear performing less well. In the competitive market place, however, prices were reduced on a number of key lines to maintain volumes with a consequent impact on margins. A disappointing group operating profit of £1.3m (2011: £4.0m) was reported in the year after absorbing restructuring costs of £0.6m following the £2.5m cost reduction programme. In 2011 one off property gains totalled £5.0m and cash interest costs of £0.6m (2011: £0.5m) reflect higher borrowings during the year. The interest charge on the group's pension scheme was £0.2m (2011: £0.7m) resulting in a total interest cost of £0.8m (2011: £1.2m). The Group therefore reports a profit before taxation of £0.6m (2011: £7.9m including the £5.0m one off property gains).

Despite these challenging trading conditions we have still managed to grow the business during the year. A key element of our Strategy is to grow our agriculture business, particularly in arable, where we see ourselves becoming a credible alternative to the large global trading businesses. On 1st August 2011 we boosted our arable business with the acquisition of the specialist grain trader Heart of England Grain Company Limited. Founded in 1982 and with a growing trade of combinable crops, Heart of England Grain serves farmers across middle England, supplying leading blue chip millers and feed compounders direct from farm. The business also includes Heart of England Country Feeds that provides equestrian feeds, forage and bedding products direct to the customer with two sites based at Preston Capes near Daventry in Northamptonshire and Newmarket in Cambridgeshire. On 2nd March 2012, we also acquired the specialist animal health and farm supplies business H&C Pearce and Sons. H&C Pearce is one of the largest agricultural specialist animal health and farm supply businesses in central southern England with premises in Thame in Oxfordshire, Andover in Hampshire and Market Harborough in Leicestershire. Further details of both these acquisitions are included in note nine on page 31. Shortly after the acquisition of H&C Pearce, we opened a new Countrywide store at Towcester in Northamptonshire. This new 10,000 square foot store is the first to reflect some of the new product presentations that we are now incorporating and rolling out to the rest of the stores as part of the Retail repositioning project.

I announced last year the launch of our new Customer Relationship Management (CRM) system. The system has been fully implemented across the business and we are now starting to use this intelligence to identify new customers and maximise opportunities with existing customers working hand in hand with our customer loyalty card that now has over 80,000 active members. We continue to recognise five distinct customer segments-Farmers, Smallholders, Rural Businesses, Equestrian and Country Home owners and all marketing and sales support activity is tailored around these segments.

## Direct

Our Direct sales business supplies products and services to our customers and includes our Agriculture and Energy businesses. Direct sales increased by £35.1m (24%) to £182.8m (2011: £147.7m) with Heart of England grain sales of £29.9m, higher commodity prices generally, volume growth on feed offset by sharply lower fuel volumes with the very mild winter and the disposal of the non-core fuel-card business last year. In total, Direct recorded an operating profit of £2.8m (2011: £2.8m) before corporate costs in line with last year.

Compound feed volumes increased by 5% thanks to our strategy to continue to grow our infield ruminant sales team and the first full year's contribution of Gloucester Animal Feeds following the acquisition in 2011. However compound feed margins were lower after the particularly strong margins recorded in 2011. The performance in our blends and straights business recovered after a disappointing year in 2011 with volume and margin gains. Sales from the Countrywide arable business grew by 8% largely due to higher commodity prices particularly in Fertiliser. Margins were significantly lower than 2011 and total arable contribution including the part year contribution from Heart of England Grain was level with last year. It was a similar story for our Turf and amenity business where sales grew by 15% but lower margins left contribution level. We recognised that we needed to further strengthen the management of our arable business and I am delighted that we have recently recruited a new specialist Fertiliser manager, Paul Coupe, to join our arable team.

We increased new LP Gas bulk tank sales over the year but volumes were down 4% with the very mild winter compared to the particularly harsh winter the previous year. Margins were however strong and contribution finished over 30% up on last year. The strong performance from LP Gas contrasted with the Fuels business where the mild winter left volumes for the year 25% down and despite keeping a tight control on transport and other costs contribution finished well down. We also took

# *Chief Executive's Review* *(Continued)*

the decision in March 2012 to sell our non-core commercial mains gas business to a trade buyer as we continue to focus on our core customer segments. Our specialist rural services provider 7Y, completed their first installations of solar panels on farm buildings including livestock sheds, cold stores and poultry buildings in 2010. In partnership with specialist installers, 7Y sourced a regular supply of panels for customers through 2011 and this accelerated significantly when the government decided to cut the financial incentives offered in December 2011 and further reduce them in March 2012. These changes to the incentive programme led to a rush for installations in the first half of the year followed by a very quiet period subsequently. While interest is beginning to gradually return to the market, it is certainly not been a good example of how to efficiently encourage the take up of a new technology. While in the long run there should be opportunities for Countrywide and its customers to benefit from renewable energy, it's fair to say the regulatory regime around the sector needs a period of stability now to restore confidence in the sector.

The Direct sales business continues to expand as we strengthen the sales management team with the recruitment of experienced field sales managers. The acquisition of Heart of England Grain Company Limited was a particular highlight as it gives our arable business real scale and credibility in line with our strategy and since the year end this has been further enhanced with the acquisition of the Hackett's business (further details overleaf). In April we took a significant step forward to grow our direct sales business by opening a new trading office in Wetherby, West Yorkshire. The aim is to continue to grow and develop our product offering and reach more customers by expanding our geographical spread. We continue to attend a number of events and trade shows including the flagship Royal Welsh show although the very wet summer led to the cancellation of many others including the CLA Game fair this year. We continue to attend many specialist events to meet our local customers and discuss their future business needs.

## Retail

Sales increased by 7% to nearly £84m but 'like-for-like" sales declined by nearly 1%. Operating profits, before corporate costs, fell sharply to £1.2m (2011: £3.7m), with margins falling by over 2.2% points. On a like for like basis, excluding acquisitions and new stores, operating profits before corporate costs were £1.3m (2011: £3.8m).

I reported last year that our Retail business had a much weaker second half of the year with transaction numbers falling. This unfortunately continued into 2012 and it became clear as we moved into the autumn, that there had been a fundamental shift in the market. Countrywide had enjoyed four consecutive years of profit growth most of which had been delivered by our Retail business. Sales and margins had grown with the introduction of new clothing and footwear ranges and expansion of our seasonal ranges supported by industry leading operational standards. It was however these categories that were increasingly coming under pressure while the core traditional categories of agriculture and equestrian continued to trade well. The review identified that the Retail business needed to be repositioned, as discretionary spend had collapsed and we forecast more opportunity in the farming and smallholder sectors as well as maintaining excellent growth in equestrian. We continue to focus on quality, value and affordability whilst at the same time maintaining the progress we have made in recent years on store standards and customer service. To restore profitability at these lower margins also required costs to be lowered. Cost reductions of £2.5m on an annualised basis were implemented in the second half of the year largely in our retail and support areas of the business. This repositioning of the business will take some time to fully implement although considerable progress has been made in the second half of the year. The repositioning provides an increased focus on farming and Business to Business sales with a commitment to return the benefits of our buying power to our customers. We are willing to offer deals to our loyal customers and, with our best in class operational standards, are demonstrating clear leadership in the sector. Ranges have been reviewed and we have identified a number of products that are to be discontinued with the repositioning in mind. These products are spread across most categories but concentrated in the clothing, footwear, pet and seasonal categories. The store presentation will focus more on bulk product with some ranges moved from a shelf to a floor pallet, ex VAT pricing has been introduced on price labels and we are better matching each store offer with the customer profile in that area. Perhaps most importantly pricing will become more competitive particularly on key lines with a focus on bulk deals. We have successfully relaunched our store in Presteigne in Wales matching the product offering with the local store demographics.

A further benefit of the H&C Pearce acquisition is membership of the United Farmers buying group. As well as offering better trading terms from a number of our existing suppliers, it also gives the opportunity to offer some of our own brand ranges to other members of the buying group. United Farmers are particularly strong in animal health but are increasingly branching out into other product categories.

We continue to develop our own brand ranges across all categories and the launch of our new value range last autumn has proved particularly successfully and has now been expanded across a wider number of products.

We were delighted that our West Country Feeds store just outside Taunton was named Country Store of the year in the prestigious "Over the Counter" Awards. The award recognises the stores range of services, products, specialist advice and high levels of customer service for the rural community. Managed by Tracey Rose, the store employs a number of qualified equine, pet, agriculture, smallholding and animal health specialists. We have also teamed 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.

# *Chief Executive's Review* *(Continued)*

## 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.

In 2011 we took on two graduate trainees on a tailored programme. I am pleased to report both graduates have now successfully completed these programmes and have recently been placed in job roles in the business. Nick Halle has become a junior grain trader at Heart of England and Bronwen Pihlwret has moved into a sales role in Monmouthshire. We are planning to recruit two new graduates shortly on similar programmes.

We have recently updated our Corporate Social Responsibility statement and the revised statement is again accessible via the company website. Riding for the Disabled remained the company charity for a third and final year in 2012 and a total of £71,000 was raised by employees and the company. Special mention must go to Charles Delf, our alternative feeds manager, who cycled between fifty of our retail stores covering a total of 1,125 miles over twelve days at the beginning of May, and raised a grand total of £25,000. I joined Charles for the first four days of his trip and witnessed first-hand his fitness and dedication particularly given the terrible wet weather at the time.

## Outlook

After a disappointing result in 2012 we are aiming for performance to recover in 2013 boosted by the cost reduction programme successfully implemented in the second half of 2012. The outlook for the general economy remains extremely tough and interest rates are expected to remain low for the foreseeable future.  Considerable uncertainty remains in the weaker Euro zone economies and depending how this situation turns out could well have implications for the wider UK economy. The outlook for UK Agriculture remains more positive, particularly for the arable sector where grain prices are expected to remain strong. The livestock sector is coming under some short term pressure with input prices rising and the dairy sector continues to remain under price pressure although there may be some light now at the end of the tunnel. Variable weather around the world coupled with the growing global demand for food continues to drive volatile world commodity prices as crop yields and consequently prices fluctuate albeit on a rising trend. 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.

Trading in the first three months of the 2013 financial year has started strongly and is currently ahead of our expectations with the wet summer helping to boost sales in our clothing and footwear categories. Our marketing and customer contact activity has been refocused with the repositioned Retail business in mind and the CRM system is starting to drive sales activity to win new customers in the Direct business. Our Direct and Retail businesses continue to work more closely together to increase sales from our existing customers.

After the very mild winter last year we are hoping for a return to some more seasonal weather this winter to help boost volumes in many of our key product categories. We continue to seek opportunities to improve the Retail store portfolio and have earmarked two stores for relocation in 2013 following on from the successful new store opening at Towcester in 2012. A number of new store opportunities are currently being progressed but these are not expected to come to fruition this financial year.

We were delighted to complete the acquisition of SM Hackett and Son Limited on 31 July 2012 for an initial consideration of £0.45m that could rise to £0.65m based on the future performance of the business. The business is based in Ashby de la Zouch, Leicestershire and has a strong record of providing farmers with a wide range of expertise, products and services. It represents another significant milestone in the strategic growth of our agricultural business, adding greater capacity to our existing trading activities, further strengthening our services to farmers and extending our business into new areas of the country. We recognise the considerable growth opportunities in the arable sector and the Hackett's grain, seed and fertiliser business adds weight to our arable portfolio. With a rich history dating back to the late 1800's, Hackett's has a reputation for quality, professionalism and a wide portfolio of products covering feed, grain and forage seed, fertiliser and fuel. We are in the early stages of considering a number of other acquisition opportunities but these are not expected to come to fruition this financial year.

A final thank you is reserved for all our employees. Despite the difficult year they have remained dedicated, committed and supportive of the tough decisions that have had to be made.

John Hardman
Chief Executive
22 August 2012

# *Finance Review*

## Balance Sheet and Cash Flow

The company acquired two businesses for a total consideration of £3.5m in the year. With the Heart of England acquisition there is a further element of deferred consideration of £0.9m that is payable in three equal instalments over the next three years. The two acquisitions generated goodwill of £1.7m that has been recognised in these accounts. Further details are provided in note 9 on page 31. Fixed asset purchases in the year totalled £3.9m and included £1.9m in new tanks and cylinders to support the growth of our gas business. We also invested £1.0m in the new store at Towcester, store refurbishments at Cirencester, Chipping Norton and Presteigne. A further £0.5m was spent on the new CRM system, transport trailers and creating a new purpose built chemicals store at our central warehouse at Defford. The Group's freehold properties were revalued at 31 May 2012 on the basis of existing use value by independent qualified valuers. In the five years since the last valuation in 2007, the commercial property market has weakened and the values of our freehold land and buildings have declined by £2.3m (10%).

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. For this reason the Board have recently decided to replace the longstanding bank overdraft facility with a new invoice discounting facility that is better suited to the seasonal working capital requirements of the business. Further details are provided later in my report.

Stocks at the end of the year at £20.1m were £0.6m (3%) up on the levels at 31 May 2011. Stock from the business acquisitions in the year totalled £1.3m with underlying stock levels being below last year. Stock levels are constantly monitored and further reductions are targeted in 2013 to improve stock turns. Debtors at £30.5m increased £6.8m (29%) over last year. Trade debtors at £27.5m were £5.3m (24%) up on last year reflecting significantly higher input prices at the end of the year and the two business acquisitions in the year. Creditors due within one year at £41.4m were £7.7m (23%) up on last year again reflecting higher input prices.

The group had a net cash inflow from operating activities at £5.6m (2011: £4.8m) reflecting net positive working capital movements more than offsetting lower operating profits. Net debt at 31 May 2012 increased to £11.8m (2011: £9.0m) with capital expenditure and business acquisition costs, including Heart of England and H&C Pearce, totalling £7.8m in the year (2011: £11.0m). In 2011, the business received £8.5m from the sale of surplus assets (2012: £0.3m) which had helped finance the higher levels of capital expenditure. Shareholder funds have fallen to £21.8m (2011: £29.6m) reduced by the higher pension deficit and the lower property values following the outcome of the freehold land and buildings revaluation completed at 31 May 2012. Gearing at 31 May 2012 stands at 54% of shareholder funds (2011: 30%) which the Board regard as a comfortable level.

The Chief Executive's Review details the acquisition of S.M. Hackett and Son Limited on 31 July 2012 for an initial consideration of £0.45m that could rise to £0.65m based on the performance of the business over the next three years.

## 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 (2011: £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 £2.0m (2011: £1.9m). 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 £2.0m pa with effect from 1 July 2010. The next tri-annual valuation was due as at 5 April 2012 and is currently being prepared.

The valuation of the scheme under FRS 17 at 31 May 2012 gave rise to an increase in the pension deficit of £5.5m to £22.6m (2011: £17.1m) or £17.2m (2011: £12.6m) after deferred tax. Scheme assets are substantially invested in equities and there has been a reduction in asset values with the fall in equity markets over the period. There has also been an increase in calculated liabilities as discount rates have fallen over the year. 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 £3.4m in deficit (2011: £2.1m surplus) with movements summarised in Note 19. Retained profits in the year at £0.4m (2011: £6.2m) reflected the lower operating profits in 2012 and the absence of the one off property gains booked in 2011. There was also an increase in the pension scheme deficit based on the value of the pension scheme assets and liabilities at 31 May 2012. A consequence of the deficit on distributable reserves is the company is not in a position to pay a dividend to shareholders. The Board will require a period of sustainable positive reserves before the position can be reconsidered.

# Finance Review *(Continued)*

Tax on profit on ordinary activities shows a net charge of £nil (2011: £1.6m). The tax credit on current year profits of £0.3m (2011: £0.3m charge) is detailed in Note 5 and arises from tax losses in 2012 that have been used to offset the taxable profits arising in the company in 2011 and in subsidiary companies in the current year. The deferred tax current year charge to the profit and loss account of £0.6m (2011: £1.3m) is detailed in Notes 5 and 16 and this has been partly offset by a £0.4m prior year deferred tax credit following a revised view of the roll over relief position relating the property gain last year and the submission of the 2011 tax computation .

The corporation tax rate decreased from 25% to 24% from 1 April 2012 and this change has led to a £0.3m 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 22% by 2014.

The business enjoys brought forward tax losses that will 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 currently total £20m and include a £14m revolving credit facility and a £6m overdraft. The overdraft facility is shortly to be replaced by a £12m invoice discounting facility that will better match the businesses seasonal working capital movements. 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 2012 to be £9.2m (2011: £10.9m)

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 one outstanding interest swap transaction used to fix the interest on part of the Group's borrowings which are also described in this note.

Les Collins
Finance Director
22 August 2012

# Directors' Profiles

## NIGEL HALL (Chairman) Age 57

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

## TIM HOLDERNESS-RODDAM (Deputy Chairman) Age 69

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 50

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. Serves as Non-Executive Director of Pilon Ltd, a building subcontractor operating in the UK private and commercial housing sector.

## LES COLLINS (Finance Director & Company Secretary) Age 51

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 62

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. A member of the Marches LEP Board, Trustee of John Innes Foundation and Director of Norwich Research Partners LLP.
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 61

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 58

Has held a number of senior positions in Corporate Banking, both in the UK and USA. Currently a Partner in Isca Ventures LLP, 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<br>Asparagus Way<br>Vale Park<br>Evesham<br>Worcestershire<br>WR11 1GN |
| Independent Auditors | PricewaterhouseCoopers LLP<br>1 Kingsway<br>Cardiff<br>CF10 3PW |
| Bankers | HSBC Bank Plc<br>62 George White Street<br>Cabot Circus<br>Bristol<br>BS1 3BA |
| Solicitors | Bond Pearce LLP<br>3 Temple Quay<br>Temple Back East<br>Bristol<br>BS1 6DZ |

# Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 31 May 2012.

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, Aylesbury, Bucks, HP21 8ZB. Telephone 01296 414141. www.sharemark.com

## 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 (2011: £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 2012 the average payment period was 62 days (2011: 56 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 2012, the market value of these swaps was a £109,612 loss (2011: £249,617 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 2012 and their beneficial interests in the share capital of the Company are listed below:

| | Shares 2012 | Shares 2011 |
|---|---|---|
| N.P. Hall (Chairman) | 330,831 | 232,321 |
| T.D. Holderness-Roddam (Deputy Chairman) | 265,818 | 265,818 |
| J.H. Hardman (Chief Executive) | 21,163 | 21,163 |
| L.J. Collins (Finance Director) | 37,066 | 37,066 |
| Sir Ben Gill | 12,180 | 12,180 |
| N.K.Leece | 32,238 | 32,238 |
| S. Crebo | 10,034 | 10,034 |

# 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 Finance Director as the Director responsible for Health and Safety and, through him, operates a system of policies, procedures, and audits to ensure that employees work in a healthy and safe environment.

## Donations

During the year, the group and staff donated £71,253 (2011: £39,120) 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.

## Independent 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
22 August 2012

# *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.

## Board and Committee Attendance of Directors

| | Board | Remuneration Committee | Audit Committee | Nomination Committee |
|---|---|---|---|---|
| Number of Meetings in year ended 31 May 2012 | 13 | 3 | 3 | 1 |
| Attendance of Directors: | | | | |
| J.H. Hardman | 13 | | | |
| T.D. Holderness-Roddam | 13 | 3 | 3 | 1 |
| Sir Ben Gill | 12 | | 3 | 1 |
| N.P. Hall | 12 | 3 | | 1 |
| N.K. Leece | 12 | 3 | 3 | |
| L.J. Collins | 13 | | | |
| S. Crebo | 13 | | 3 | |

## 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
22 August 2012

# *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 prepared 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
22 August 2012

# *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 2012 which comprise the Consolidated Profit and Loss Account, the Note of Group Historical Cost Profits and Losses, the Statement of Group 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 2012 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
22 August 2012

# *Consolidated Profit and Loss Account*

For the year ended 31 May 2012

| | Note | Group 2012 £000s | Group 2011 £000s |
|---|---|---|---|
| Group Turnover | 2 | 266,721 | 226,290 |
| Cost of Sales | | (226,352) | (184,634) |
| Gross Profit | | 40,369 | 41,656 |
| Other operating income | | 223 | 264 |
| Net operating expenses | | (39,273) | (37,899) |
| Group Operating Profit | 4a | 1,319 | 4,021 |
| Profit on disposal of tangible fixed assets | 4b | - | 5,025 |
| Profit before interest and tax | | 1,319 | 9,046 |
| Interest payable | 3a | (611) | (474) |
| Other finance expense | 3b | (156) | (677) |
| Profit on ordinary activities before taxation | | 552 | 7,895 |
| Taxation on profit on ordinary activities | 5 | 33 | (1,579) |
| Profit after taxation | | 585 | 6,316 |
| Minority Interests in profit for the year | | (42) | (42) |
| Profit for the year | | 543 | 6,274 |

# Note of Group Historical Cost Profits and Losses

For the year ended 31 May 2012

| | Group 2012 £000s | Group 2011 £000s |
|---|---|---|
| Reported Profit on ordinary activities before taxation | 552 | 7,895 |
| Realisation of property revaluation gains of previous years | - | 2,530 |
| Historical cost profit on ordinary activities before taxation | 552 | 10,425 |
| Historical cost profit for the year after taxation and minority interest | 543 | 9,363 |

# Statement of Group Total Consolidated Recognised Gains and Losses

For the year ended 31 May 2012

| | Note | Group 2012 £000s | Group 2011 £000s |
|---|---|---|---|
| Profit for the financial year | | 543 | 6,274 |
| Actuarial (loss)/gain recognised in the pension scheme | 23 | (7,407) | 290 |
| Movement on deferred tax asset relating to pension scheme | 16 | 1,778 | (75) |
| Impact of tax rate change recognised in reserves | 16 | (342) | (371) |
| Total recognised (losses)/gains for the year | | (5,428) | 6,118 |

# *Consolidated Balance Sheet (Registered no. 3776711)*

At 31 May 2012

| | Note | Group 2012 £000s | Group 2011 £000s |
|---|---|---|---|
| **Fixed Assets** | | | |
| Intangible assets | | | |
| Goodwill | 7 | 2,642 | 1,463 |
| Negative Goodwill | 7 | (565) | (671) |
| | | 2,077 | 792 |
| Tangible assets | 8 | 39,493 | 40,979 |
| Investments | 10 | 43 | 41 |
| | | 41,613 | 41,812 |
| **Current Assets** | | | |
| Stock | 11 | 20,122 | 19,511 |
| Debtors | 12 | 30,471 | 23,615 |
| Cash at bank and in hand | | 3,249 | 3,982 |
| | | 53,842 | 47,108 |
| **Creditors - amounts falling due within one year** | 13 | (40,820) | (33,693) |
| **Net Current Assets** | | 13,022 | 13,415 |
| **Total Assets less Current Liabilities** | | 54,635 | 55,227 |
| **Creditors - amounts falling due after more than one year** | 14 | (14,771) | (12,048) |
| **Provisions for liabilities and charges** | 15 | (843) | (965) |
| **Net assets excluding Pension Liability** | | 39,021 | 42,214 |
| Net Pension Liability | 23 | (17,177) | (12,642) |
| **Net assets** | | 21,844 | 29,572 |
| **Capital and Reserves** | | | |
| Called up share capital | 17 | 16,413 | 16,413 |
| Revaluation reserve | 18 | 9,701 | 12,006 |
| Profit and loss account | 19 | (4,474) | 975 |
| **Total shareholders' funds** | 20 | 21,640 | 29,394 |
| Minority interests | | 204 | 178 |
| **Capital employed** | | 21,844 | 29,572 |

The financial statements on pages 16 to 43 were approved by the Board of Directors on 22 August 2012 and were signed on its behalf by:

NP Hall
JH Hardman
} Directors

# *Parent Company Balance Sheet* *(Registered no. 3776711)*

At 31 May 2012

| | Note | 2012 £000s | 2011 £000s |
|---|---|---|---|
| **Fixed Assets** | | | |
| Intangible assets | | | |
| Goodwill | 7 | 2,642 | 1,463 |
| Negative Goodwill | 7 | (565) | (671) |
| | | 2,077 | 792 |
| Tangible assets | 8 | 39,327 | 40,800 |
| Investments | 10 | 283 | 281 |
| | | 41,687 | 41,873 |
| **Current Assets** | | | |
| Stock | 11 | 19,833 | 19,234 |
| Debtors | 12 | 32,057 | 25,222 |
| Cash at bank and in hand | | 2,399 | 3,256 |
| | | 54,289 | 47,712 |
| **Creditors - amounts falling due within one year** | 13 | (40,513) | (33,393) |
| **Net Current Assets** | | 13,776 | 14,319 |
| **Total Assets less Current Liabilities** | | 55,463 | 56,192 |
| **Creditors - amounts falling due after more than one year** | 14 | (14,771) | (12,048) |
| **Provisions for liabilities and charges** | 15 | (828) | (948) |
| **Net assets excluding Pension Liability** | | 39,864 | 43,196 |
| Net Pension Liability | 23 | (17,177) | (12,642) |
| **Net assets** | | 22,687 | 30,554 |
| **Capital and Reserves** | | | |
| Called up share capital | 17 | 16,413 | 16,413 |
| Revaluation reserve | 18 | 9,701 | 12,006 |
| Profit and loss account | 19 | (3,427) | 2,135 |
| **Equity shareholders' funds** | | 22,687 | 30,554 |

The financial statements on pages 16 to 43 were approved by the Board of Directors on 22 August 2012 and were signed on its behalf by:

NP Hall<br>JH Hardman } Directors

# *Consolidated Cash Flow Statement*

For the year ended 31 May 2012

| | Note | Group 2012 £000s | Group 2011 £000s |
|---|---|---|---|
| **Net cash inflow from operating activities** | (a) | 5,648 | 4,759 |
| | | | |
| **Returns on investments and servicing of finance** | | | |
| Interest paid | | (582) | (449) |
| Interest element of finance lease payments | | (7) | (7) |
| Dividend paid to minority interests | | (16) | (11) |
| Net cash outflow from returns on investments and servicing of finance | | (605) | (467) |
| | | | |
| **Taxation** | | | |
| Corporation tax paid | | (445) | (80) |
| | | | |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | | (3,861) | (9,334) |
| Sale of tangible fixed assets | | 341 | 8,503 |
| Purchase of fixed asset investments | | (2) | - |
| Net cash outflow for capital expenditure and financial investment | | (3,522) | (831) |
| | | | |
| **Acquisitions and disposals** | | | |
| Payments to acquire trade and businesses | | (3,492) | (1,653) |
| Cash acquired with business | | (434) | - |
| Receipt from sale of business | | - | 360 |
| Net cash outflow for acquisitions and disposals | | (3,926) | (1,293) |
| | | | |
| **Net cash (outflow)/inflow before financing** | | (2,850) | 2,088 |
| | | | |
| **Financing** | | | |
| Decrease in Members' Retirement Scheme | | (52) | (342) |
| Increase in borrowings | | 2,000 | - |
| Capital element of finance lease payments | | 161 | (74) |
| Issue/Purchase of own shares by EBT | | 8 | (1,208) |
| | | | |
| Net cash inflow/(outflow) from financing | | 2,117 | (1,624) |
| | | | |
| **(Decrease)/Increase in cash for the year** | (b) | (733) | 464 |

# *Consolidated Cash Flow Statement Notes*

For year ended 31 May 2012

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

| | Group 2012 £000s | Group 2011 £000s |
|---|---|---|
| Operating profit | 1,319 | 4,021 |
| Depreciation charge | 3,419 | 3,361 |
| Net Goodwill amortisation | 431 | 237 |
| Profit on disposal of fixed assets | (105) | (382) |
| Decrease/(Increase) in stock | 598 | (1,492) |
| Increase in debtors | (2,872) | (1,620) |
| Increase in creditors | 4,933 | 2,367 |
| Excess of pension contributions over charge | (2,046) | (1,858) |
| Share option charge | (29) | 125 |
| Net cash inflow from operating activities | 5,648 | 4,759 |

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

| | Group 2012 £000s | Group 2011 £000s |
|---|---|---|
| (Decrease)/Increase in cash at bank | (733) | 464 |
| Increase in loan | (2,000) | - |
| (Increase)/Decrease in lease financing | (161) | 74 |
| Decrease in Members' Retirement Scheme | 52 | 342 |
| Movement in net debt for the year | (2,842) | 880 |
| Opening net debt | (8,967) | (9,847) |
| Closing net debt | (11,809) | (8,967) |

(c) Analysis of Net Debt

| Group | At 1 June 2011 £000s | Cash Flow £000s | At 31 May 2012 £000s |
|---|---|---|---|
| Cash at bank | 3,982 | (733) | 3,249 |
| Due within one year: | | | |
| Finance leases | (21) | (38) | (59) |
| Due after one year: | | | |
| Bank loans | (12,000) | (2,000) | (14,000) |
| Members' Retirement Scheme | (880) | 52 | (828) |
| Finance leases | (48) | (123) | (171) |
| | (8,967) | (2,842) | (11,809) |

# *Notes to the Financial Statements*

For the year ended 31 May 2012

## 1) ACCOUNTING POLICIES

### Basis of accounting

These financial statements are prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The principal accounting policies are set out below and have been applied consistently throughout the year.

### 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 Group total consolidated 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, that give rise to an obligation to pay more taxation or a right to pay less taxation in the future. Deferred tax assets have 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 difference 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 Group total consolidated 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.

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

For the year ended 31 May 2012

## 2) SEGMENTAL REPORTING

| | Turnover 2012 £000s | Operating Profit/(Loss) 2012 £000s | Net Operating Assets 2012 £000s |
|---|---|---|---|
| Continuing operations | | | |
| Direct Sales | 182,840 | 2,818 | 19,463 |
| Retail | 83,881 | 1,226 | 28,600 |
| Corporate | - | (2,139) | 1,357 |
| | 266,721 | 1,905 | 49.420 |
| Restructuring | - | (586) | - |
| Group Total | 266,721 | 1,319 | 49,420 |

| Reconciliation of Net Operating Assets to the Balance Sheet | £000s |
|---|---|
| Net Operating Assets | 49,420 |
| Less Bank Balance and Loans | (10,751) |
| Add Corporation and Deferred tax | 352 |
| Less Net Pension Liability | (17,177) |
| Net Assets as at 31 May 2012 | 21,844 |

| | Turnover 2011 £000s | Operating Profit/(Loss) 2011 £000s | Net Operating Assets 2011 £000s |
|---|---|---|---|
| Continuing operations | | | |
| Direct Sales | 147,669 | 2,790 | 16,760 |
| Retail | 78,621 | 3,666 | 31,280 |
| 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 Advance 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 |

The Group operates and trades only in the United Kingdom.

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

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

For the year ended 31 May 2012

## 3a) INTEREST

| | Group 2012 £000s | Group 2011 £000s |
|---|---|---|
| **Interest Payable** | | |
| Interest payable on bank loans and overdrafts | 605 | 467 |
| Interest payable on finance leases | 6 | 7 |
| | 611 | 474 |

## 3b) OTHER FINANCE EXPENSE

| | Group 2012 £000s | Group 2011 £000s |
|---|---|---|
| Other finance expense - pension scheme (Note 23) | 156 | 677 |

## 4a) OPERATING PROFIT

| | Group 2012 £000s | Group 2011 £000s |
|---|---|---|
| **Operating Profit is stated after charging/(crediting):** | | |
| Staff costs (note 22) | 21,875 | 21,577 |
| Restructuring costs (note 22) | 586 | - |
| Depreciation | | |
| Tangible owned fixed assets | 3,364 | 3,279 |
| Tangible fixed assets held under finance leases | 55 | 82 |
| Goodwill amortisation | 537 | 343 |
| Negative goodwill amortisation | (106) | (106) |
| Operating lease charges | | |
| Plant and machinery | 1,845 | 1,606 |
| Other | 2,601 | 2,511 |
| Profit on sale of fixed assets | (105) | (382) |
| Auditors' remuneration in respect of: | | |
| Audit of the parent company and consolidated financial statements | 63 | 63 |
| Other services: | | |
| Subsidiary company audit services | 5 | 5 |
| Tax advisory services | 45 | 62 |
| Interim review | - | 19 |
| Other | 3 | - |

## 4b) NON OPERATING ITEM

During the prior 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 2012 £000s | Group 2011 £000s |
|---|---|---|
| **Current tax** | | |
| United Kingdom corporation tax at 25.83% (2011: 27.67%) | (223) | 358 |
| Overprovision in respect of prior year | (51) | (19) |
| Current tax (credit)/charge | (274) | 339 |
| | | |
| Deferred tax: (note 16) | | |
| Current year charge | 637 | 1,260 |
| Prior year charge | (422) | (87) |
| Effective decrease in tax rate | 26 | 67 |
| | | |
| **Tax on profit on ordinary activities** | (33) | 1,579 |

**Factors affecting tax charge for the year**

The tax assessed for the year differs from the standard rate of corporation tax in the UK (26%). The differences are explained below:

| | Group 2012 £000s | Group 2011 £000s |
|---|---|---|
| Profit on ordinary activities before tax | 552 | 7,895 |
| Profit on ordinary activities at the standard rate in the UK 25.83% (2011: 27.67%) | 143 | 2,185 |
| | | |
| Effects of: | | |
| Expenses not deductible for tax purposes | 321 | 329 |
| Capital allowances in excess of depreciation for year | (176) | (263) |
| Other timing differences | (494) | (321) |
| Differences between book gains and taxable gains | - | (1,168) |
| Losses utilised | - | (396) |
| Tax of group company at marginal rates | (17) | (8) |
| Adjustments to tax charge in respect of previous year | (51) | (19) |
| | | |
| **Current tax (credit)/charge for the year** | (274) | 339 |

**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 March 2012 Budget Statement reductions in the main rate of corporation tax were proposed to reduce the rate to 24% from 1 April 2012, 23% from 1 April 2013 and 22% from 1 April 2014. The changes to 23% and 22% respectively had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effect of these further changes would be to reduce the net deferred tax asset by approximately £460,000 over the 2 years to 31 May 2014, but primarily this is expected to reduce the recognised gains and losses rather than the 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 £438,000 (2011: £6,182,000).

## 7) INTANGIBLE FIXED ASSETS

Goodwill

| | Group £000s | Company £000s |
|---|---|---|
| **Cost** | | |
| At 1 June 2011 | 2,618 | 2,467 |
| Additions (note 9) | 1,716 | 1,716 |
| At 31 May 2012 | 4,334 | 4,183 |
| **Amortisation** | | |
| At 1 June 2011 | 1,155 | 1,004 |
| Charge for the year | 537 | 537 |
| **At 31 May 2012** | 1,692 | 1,541 |
| **Net book value at 31 May 2012** | 2,642 | 2,642 |
| Net book value at 31 May 2011 | 1,463 | 1,463 |

Goodwill that arose on the acquisition 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 2011 and 31 May 2012 | (1,059) | (1,059) |
| **Amortisation** | | |
| At 1 June 2011 | 388 | 388 |
| Credit for the year | 106 | 106 |
| **At 31 May 2012** | 494 | 494 |
| **Net book value at 31 May 2012** | (565) | (565) |
| Net book value at 31 May 2011 | (671) | (671) |

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

## 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 2011 | 30,080 | 1,690 | 40,465 | 2,157 | 74,392 |
| Additions | 654 | 146 | 3,331 | 343 | 4,474 |
| Disposals | (17) | - | (463) | (1,331) | (1,811) |
| Revaluation | (2,305) | - | - | - | (2,305) |
| **At 31 May 2012** | 28,412 | 1,836 | 43,333 | 1,169 | 74,750 |
| **Accumulated Depreciation** | | | | | |
| At 1 June 2011 | 7,548 | 1,216 | 23,038 | 1,611 | 33,413 |
| Charge for the year | 519 | 127 | 2,526 | 247 | 3,419 |
| Disposals | (5) | - | (283) | (1,287) | (1,575) |
| **At 31 May 2012** | 8,062 | 1,343 | 25,281 | 571 | 35,257 |
| **Net book value at 31 May 2012** | 20,350 | 493 | 18,052 | 598 | 39,493 |
| Net book value at 31 May 2011 | 22,532 | 474 | 17,427 | 546 | 40,979 |

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

| | 2012 £000s | 2011 £000s |
|---|---|---|
| Net book value at 31 May | 278 | 100 |

Analysis of Land and Buildings

| | Group 2012 £000s | Group 2011 £000s | Company 2012 £000s | Company 2011 £000s |
|---|---|---|---|---|
| **Analysis of land and buildings at cost or valuation** | | | | |
| At cost | 10,649 | 10,526 | 10,626 | 10,501 |
| At valuation | 9,701 | 12,006 | 9,701 | 12,006 |
| | 20,350 | 22,532 | 20,327 | 22,507 |

The Group's freehold properties were revalued at 31 May 2012 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 2012 £000s | Group 2011 £000s | Company 2012 £000s | Company 2011 £000s |
|---|---|---|---|---|
| **Freehold and long leasehold land and buildings** | | | | |
| At cost | 18,711 | 18,074 | 18,681 | 18,045 |
| Aggregate depreciation | (8,062) | (7,548) | (8,055) | (7,544) |
| | 10,649 | 10,526 | 10,626 | 10,501 |

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

For the year ended 31 May 2012

| Company | Freehold Land and Buildings £000s | Leasehold Property £000s | Plant and Machinery £000s | Vehicles £000s | Total £000s |
|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | |
| At 1 June 2011 | 30,051 | 1,692 | 40,269 | 2,127 | 74,139 |
| Additions | 653 | 146 | 3,328 | 328 | 4,455 |
| Disposals | (17) | - | (463) | (1,301) | (1,781) |
| Revaluation | (2,305) | - | - | - | (2,305) |
| **At 31 May 2012** | 28,382 | 1,838 | 43,134 | 1,154 | 74,508 |
| **Accumulated Depreciation** | | | | | |
| At 1 June 2011 | 7,544 | 1,215 | 22,991 | 1,589 | 33,339 |
| Charge for the year | 516 | 127 | 2,502 | 246 | 3,391 |
| Disposals | (5) | - | (283) | (1,261) | (1,549) |
| **At 31 May 2012** | 8,055 | 1,342 | 25,210 | 574 | 35,181 |
| **Net book value at 31 May 2012** | 20,327 | 496 | 17,924 | 580 | 39,327 |
| Net book value at 31 May 2011 | 22,507 | 477 | 17,278 | 538 | 40,800 |

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

| | 2012 £000s | 2011 £000s |
|---|---|---|
| Net book value at 31 May | 278 | 95 |

## 9) ACQUISITIONS

On 1 August 2011, the Company completed the purchase of Heart of England Grain Company Ltd for consideration of £2,847,000 An initial consideration of £1,800,000 was paid on completion with the deferred consideration of £900,000 to be paid in 3 equal instalments over 3 years from the acquisition date. The assets and liabilities of the Heart of England Grain Company Limited were hived up to Countrywide Farmers plc on 30 November 2011.

On 2 March 2012, Countrywide Farmers plc acquired the trade and assets of H&C Pearce & Sons Ltd for a total cash consideration of £1,536,837. The assets acquired and the results of the business from their effective date have been consolidated into the financial statements at 31 May 2012 using the acquisition method of accounting.

The combined fair value, which equated to the book values of the assets and liabilities 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 £1,491,000 and £225,000 which are being amortised over a five year and ten year period respectively. The values of these assets have been assessed and no fair value adjustments have been made to the book values acquired. The fair value amounts remain provisional in accordance with Financial Reporting Standard 7.

| | Heart of England Grain Company Ltd | H & C Pearce & Sons |
|---|---|---|
| | £000s | £000s |
| Fixed assets | 378 | 234 |
| Stock | 131 | 1,078 |
| Debtors | 3,607 | - |
| Overdraft | (434) | - |
| Creditors | (2,326) | - |
| | 1,356 | 1,312 |
| Consideration | 2,847 | 1,537 |
| Goodwill | 1,491 | 225 |

## 10) FIXED ASSET INVESTMENTS

| Group | Other Investments £000s |
|---|---|
| Cost at 1 June 2011 | 41 |
| Additions | 2 |
| Cost at 31 May 2012 | 43 |

| Company | Investments in subsidiary companies £000s | Other investments £000s | Total £000s |
|---|---|---|---|
| Cost at 1 June 2011 | 240 | 41 | 281 |
| Additions | - | 2 | 2 |
| Cost at 31 May 2012 | 240 | 43 | 283 |

**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 2011, 5,771,246 ordinary shares of 50p each were held at a cost of £1,708,000. During the year, shares were issued to a number of employees. At 31 May 2012, 5,495,045 shares were held at a cost of £1,699,000.

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

## 11) STOCK

| | Group 2012 £000s | Group 2011 £000s | Company 2012 £000s | Company 2011 £000s |
|---|---|---|---|---|
| Work in progress | 43 | - | 43 | - |
| Finished goods | 20,079 | 19,511 | 19,790 | 19,234 |
| | 20,122 | 19,511 | 19,833 | 19,234 |

## 12) DEBTORS

| | Group 2012 £000s | Group 2011 £000s | Company 2012 £000s | Company 2011 £000s |
|---|---|---|---|---|
| Trade debtors | 27,485 | 22,169 | 27,403 | 22,097 |
| Amounts owed by group undertakings | - | - | 1,717 | 1,724 |
| Other debtors | 112 | 91 | 88 | 67 |
| Prepayments and accrued income | 2,498 | 1,355 | 2,473 | 1,334 |
| Corporation taxation | 233 | - | 233 | - |
| Deferred taxation (note 16) | 143 | - | 143 | - |
| | 30,471 | 23,615 | 32,057 | 25,222 |

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

| | Group 2012 £000s | Group 2011 £000s | Company 2012 £000s | Company 2011 £000s |
|---|---|---|---|---|
| Trade creditors | 32,599 | 24,686 | 32,393 | 24,576 |
| Amounts owed to group undertakings | - | - | - | 35 |
| Finance lease obligations | 59 | 21 | 59 | 19 |
| Corporation tax | 9 | 357 | 9 | 284 |
| Other taxation and social security | 635 | 1,037 | 616 | 1,021 |
| Accruals and deferred income | 7,518 | 7,592 | 7,436 | 7,458 |
| | 40,820 | 33,693 | 40,513 | 33,393 |

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

(1) Revolving credit facility of £14,000,000 repayable in full in September 2014 bearing interest at 1.5% above LIBOR.
(2) An overdraft facility (unused at 31 May 2012) £6,000,000 until 30 October 2012 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.

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 2012 was £1,750,000 (2011: £2,450,000). The other swap had a fixed nominal value of £3,000,000 and expired on 1 May 2012.

The following facilities have recently been agreed and will be implemented in the near future:

(1) Revolving credit facility of £14,000,000 repayable in full in September 2015 bearing interest at 1.7% above LIBOR.
(2) An invoice discounting facility up to £12,000,000 bearing a discount charge of 1.7% above HSBC Bank base rate which will replace the overdraft facility.

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

| | Group 2012 £000s | Group 2011 £000s | Company 2012 £000s | Company 2011 £000s |
|---|---|---|---|---|
| Bank loans | 14,000 | 12,000 | 14,000 | 12,000 |
| Finance lease obligations | 171 | 48 | 171 | 48 |
| Accruals and deferred income | 600 | - | 600 | - |
| | 14,771 | 12,048 | 14,771 | 12,048 |

Maturity Statement

| Group | Bank 2012 £000s | Finance Leases 2012 £000s | Total 2012 £000s |
|---|---|---|---|
| In one year or less, or on demand | - | 59 | 59 |
| In more than one year, but not more than two years | - | 61 | 61 |
| In more than two years, but not more than five years | 14,000 | 110 | 14,110 |
| | 14,000 | 230 | 14,230 |

| | 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 |

| Company | Bank 2012 £000s | Finance Leases 2012 £000s | Total 2012 £000s |
|---|---|---|---|
| In one year or less, or on demand | - | 59 | 59 |
| In more than one year, but not more than two years | - | 61 | 61 |
| In more than two years, but not more than five years | 14,000 | 110 | 14,110 |
| | 14,000 | 230 | 14,230 |

| | 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 |

## 15) PROVISIONS FOR LIABILITIES AND CHARGES

| | 2012 Group £000s | 2011 Group £000s | 2012 Company £000s | 2011 Company £000s |
|---|---|---|---|---|
| Members' Retirement Scheme | 828 | 880 | 828 | 880 |
| Deferred Tax (note 16) | 15 | 85 | - | 68 |
| | 843 | 965 | 828 | 948 |

| Members' Retirement Scheme | £000s |
|---|---|
| At 1 June 2011 | 880 |
| Paid in Year | (52) |
| At 31 May 2012 | 828 |

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 2012 £000s | Group 2011 £000s | Company 2012 £000s | Company 2011 £000s |
|---|---|---|---|---|
| Accelerated Capital Allowances | 837 | 774 | 822 | 757 |
| Short term timing differences | (151) | (172) | (151) | (172) |
| Losses | (814) | (855) | (814) | (855) |
| Capital Gains | - | 338 | - | 338 |
| | (128) | 85 | (143) | 68 |
| Deferred tax on pension liability | (5,423) | (4,441) | (5,423) | (4,441) |
| Total deferred tax asset | (5,551) | (4,356) | (5,566) | (4,373) |

**Movement in Deferred Tax**

| | Group Total 2012 £000s |
|---|---|
| Deferred tax asset at 1 June 2011 | (4,356) |
| Deferred tax charge to the profit and loss account | 241 |
| Deferred tax charge to the statement of Group total consolidated recognised gains and losses | (1,436) |
| Deferred tax asset at 31 May 2012 | (5,551) |

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 £1,392,000 (2011: £1,162,000) in respect of gains rolled into assets which are not expected to be sold in the foreseeable future.

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

For the year ended 31 May 2012

## 17) SHARE CAPITAL

| | 2012 £000s | 2011 £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 2012 £000s | Group 2011 £000s | Company 2012 £000s | Company 2011 £000s |
|---|---|---|---|---|
| At 1 June | 12,006 | 14,536 | 12,006 | 14,536 |
| Transfer to profit and loss account on disposal | - | (2,530) | - | (2,530) |
| Movement on revaluation reserve | (2,305) | - | (2,305) | - |
| At 31 May | 9,701 | 12,006 | 9,701 | 12,006 |

## 19) PROFIT AND LOSS ACCOUNT

| | Group £000s | Company £000s |
|---|---|---|
| At 1 June 2011 | 975 | 2,135 |
| Retained profit for the year | 543 | 438 |
| Actuarial loss on pension scheme | (7,407) | (7,407) |
| Movement on deferred tax relating to pension liability | 1,436 | 1,436 |
| Share option charge | (29) | (29) |
| Issue of shares by EBT | 8 | - |
| At 31 May 2012 | (4,474) | (3,427) |

## 20) RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

| | Group 2012 £000s | Group 2011 £000s |
|---|---|---|
| At 1 June | 29,394 | 24,359 |
| Retained profit for the year | 543 | 6,274 |
| Actuarial (loss)/gain on pension scheme | (7,407) | 290 |
| Movement on deferred tax relating to pension liability | 1,436 | (446) |
| Share option (credit)/charge | (29) | 125 |
| Purchase of own shares by EBT | - | (1,208) |
| Movement on property revaluation | (2,305) | - |
| Issue of shares from EBT | 8 | - |
| At 31 May | 21,640 | 29,394 |

## 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 | 2012 £000s | 2011 £000s |
|---|---|---|
| Wages and salaries | 20,278 | 19,410 |
| Social security costs | 1,820 | 1,808 |
| Other pension costs | 363 | 359 |
| | 22,461 | 21,577 |

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

| | Full Time Equivalent 2012 Number | Full Time Equivalent 2011 Number | Headcount 2012 Number | Headcount 2011 Number |
|---|---|---|---|---|
| Direct | 269 | 244 | 284 | 238 |
| Retail | 595 | 613 | 789 | 791 |
| | 864 | 857 | 1,073 | 1029 |

| Remuneration of Directors | 2012 £000s | 2011 £000s |
|---|---|---|
| Salary, fees and benefits in kind | 534 | 518 |
| Performance related bonuses | - | 62 |
| Contribution to defined contribution pension scheme | 30 | 29 |
| | 564 | 609 |

Retirement benefits are accruing to one Director under the hybrid Countrywide Farmers Retirement Benefit Scheme (2011: one). Retirement benefits are accruing to one director under the Countrywide Farmers Money Purchase Scheme (2011: one).

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

| | 2012 £000s | 2011 £000s |
|---|---|---|
| Emoluments (including performance related bonus) | 185 | 214 |
| Defined benefit pension scheme: | | |
| Accrued pension as at 31 May | 43 | 41 |

### Long Term Incentive Plan

Over the last five 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 weighted average share price of the company over the 3 months preceding the introductory date is shown below for the options granted in the year:

| | Options at 1 June 2011 | Options lapsed at 27 May 2012 | Options granted at 31 May 2012 | Options exercised in year | Options at 31 May 2012 |
|---|---|---|---|---|---|
| | No of shares | No of shares | No of shares | No of shares | No of shares |
| John Hardman | 625,290 | (149,309) | 194,595 | - | 670,576 |
| Les Collins | 423,309 | (102,194) | 128,649 | - | 449,764 |
| Senior Management | 806,812 | (122,838) | 384,144 | - | 1,068,118 |
| Total | 1,855,411 | (374,341) | 707,388 | - | 2,188,458 |
| | | | | | |
| Weighted average share price | | 22 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 satisfy 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 2012 was £206,929 (2011: £198,368).

**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 £140,000 (2011: £154,000)

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

Additional contributions paid by the company during the year totalled £2,046,000 (2011: £1,858,000)

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 2012 by a qualified independent actuary. The major assumptions used by the actuary in the valuation of the scheme under FRS17 are:

| | At 31 May 2012 | At 31 May 2011 | At 31 May 2010 |
|---|---|---|---|
| Rate of increase of pensions in payment | 2.70% | 3.25% | 3.25% |
| Rate of increase in deferred pensions | 2.70% | 3.25% | 3.25% |
| Discount rate | 5.00% | 5.33% | 5.75% |
| Inflation assumption - RPI | 2.70% | 3.30% | 3.25% |
| Inflation assumption - CPI | 2.00% | 2.55% | 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 2012 | 31 May 2011 | 31 May 2010 |
|---|---|---|---|
| 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 | 21.2 |
| Female currently aged 65 | 24.0 | 24.0 | 24.0 |

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

For the year ended 31 May 2012

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

| | Expected rate of return | Value at 31 May 2012 £000s | Expected rate of return | Value at 31 May 2011 £000s | Expected rate of return | Value at 31 May 2010 £000s |
|---|---|---|---|---|---|---|
| Equities/property | 7.00% | 37,115 | 7.00% | 46,568 | 7.00% | 44,972 |
| Government bonds/cash | 2.60% | 2,992 | 3.90% | 4,978 | 3.60% | 5,536 |
| Corporate bonds | 4.50% | 10,265 | 5.30% | 6,815 | 5.75% | 6,383 |
| Diversified Growth Fund | 7.00% | 9,813 | 7.00% | 5,169 | | - |
| Total market value of assets | | 60,185 | | 63,530 | | 56,891 |
| Actuarial value of liability | | (82,785) | | (80,613) | | (75,445) |
| Deficit in the scheme | | (22,600) | | (17,083) | | (18,554) |
| Related deferred tax asset | | 5,423 | | 4,441 | | 5,195 |
| Net pension liability | | (17,177) | | (12,642) | | (13,359) |

Analysis of the amount charged to other finance expense:

| | At 31 May 2012 £000s | At 31 May 2011 £000s |
|---|---|---|
| Expected return on pension scheme assets | (4,041) | (3,649) |
| Interest on pension liabilities | 4,197 | 4,326 |
| Net expense | 156 | 677 |

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

| | At 31 May 20112 £000s | At 31 May 2011 £000s |
|---|---|---|
| Actual return less expected return on assets | (5,840) | 4,536 |
| Changes in actuarial assumptions | (1,567) | (4,246) |
| Net (loss)/gain recognised | (7,407) | 290 |

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

For the year ended 31 May 2012

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

| | 2012 £000s | 2011 £000s |
|---|---|---|
| Defined benefit obligation at beginning of year | 80,613 | 75,445 |
| Interest cost | 4,197 | 4,326 |
| Benefits paid | (3,592) | (3,404) |
| Actuarial gain on liabilities | 1,567 | 4,246 |
| Defined benefit obligation at end of year | 82,785 | 80,613 |

| | 2012 £000s | 2011 £000s |
|---|---|---|
| Fair value of assets at beginning of year | 63,530 | 56,891 |
| Expected return on assets | 4,041 | 3,649 |
| Employer contributions | 2,046 | 1,858 |
| Benefits paid | (3,592) | (3,404) |
| Actuarial (loss)/gain on assets | (5,840) | 4,536 |
| Fair value of assets at end of year | 60,185 | 63,530 |

History of experience gains and losses:

| | 2012 £000s | 2011 £000s | 2010 £000s | 2009 £000s | 2008 £000s |
|---|---|---|---|---|---|
| Experience adjustments on scheme assets: | | | | | |
| Amount (£'000s) | (7,407) | 4,536 | 7,523 | (14,806) | 6,868 |
| Percentage of scheme assets | (12.31%) | 7.14% | 13.22% | (30.51%) | 11.17% |
| Total amount recognised in STRGL: | | | | | |
| Amount (£'000s) | (7,407) | 290 | (519) | (11,070) | (2,576) |
| Percentage of scheme liabilities | (8.9%) | 0.36% | 0.69% | 16.65% | 3.72% |

| | 2012 £000s | 2011 £000s | 2010 £000s | 2009 £000s | 2008 £000s |
|---|---|---|---|---|---|
| Defined benefit obligation | (82,785) | (80,613) | (75,445) | (66,471) | (69,162) |
| Scheme assets | 60,185 | 63,530 | 56,891 | 48,535 | 61,507 |
| Scheme deficit | (22,600) | (17,083) | (18,554) | (17,936) | (7,655) |

## 24) LEASE COMMITMENTS

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

| | Land and Buildings 2012 £000s | Other Plant and Machinery 2012 £000s | Group 2012 £000s | Company 2012 £000s |
|---|---|---|---|---|
| Within one year | 73 | 398 | 471 | 466 |
| Between one and two years | 49 | 454 | 503 | 503 |
| Within two to five years inclusive | 688 | 931 | 1,619 | 1,478 |
| Over five years | 1,904 | - | 1,904 | 1,904 |
| | 2,714 | 1,783 | 4,497 | 4,351 |

| | 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 |

## 25) CAPITAL COMMITMENTS

| | Group 2012 £000s | Group 2011 £000s | Company 2012 £000s | Company 2011 £000s |
|---|---|---|---|---|
| Capital expenditure contracted but not provided for | 412 | 153 | 412 | 153 |

## 26) POST BALANCE SHEET EVENTS

On 31 July 2012, the Company completed the purchase of S M Hackett & Son Ltd for an initial consideration of £450,000. This consideration could increase to a total of £650,000 based on the performance of the business over the next 3 years.

## 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 2012 £000s | Transactions 2011 £000s | Debt at 31 May 2012 £000s | Debt at 31 May 2011 £000s |
|---|---|---|---|---|---|
| T. Holderness-Roddam | Non Executive Director | 157 | 115 | 33 | 26 |

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 £339,652 (2011: £323,714) from Countrywide Farmers plc and as at 31 May 2012 owed £34,202 (2011: £79,514).

## 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 2012 to £10,751,000 (2011: 8,018,000). In addition, this guarantee covers bank guarantees of £260,000 (2011: £265,000)

At the year end the Group was committed to minimum payments of £nil in relation to contracts for the supply of gas and electricity for resale (2011: £272,314).

## 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 27 September 2012 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 2012.

2. To re-elect Mr John Harry Hardman 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.

3. To re-elect Mr Leslie John Collins 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-appoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the directors to fix their remuneration.

## SPECIAL RESOLUTION

5. 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*
*22 August 2012*

*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 2012.

2. Resolutions 2 and 3 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 4 relates to the re-appointment of the Company's current auditors.

4. Resolution 5 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:

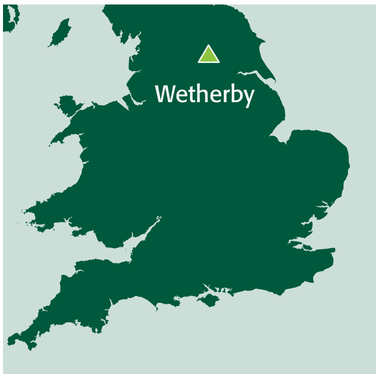
    - in relation to a rights issue and offers to holders of other equity securities if required by the rights of those securities or as the Directors otherwise consider necessary, up to a maximum nominal amount of £33,587,367 (being the remaining headroom under the Allotment Resolution) which represents approximately 102% of the Company's issued ordinary shares (excluding treasury shares) as at 22 August 2012;

    - 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 22 August 2012.

# Notes

# Notes

# Where to find us




countrywide
Farmers plc

Countrywide Farmers Plc
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