

Interim Report & Accounts

For six months ended 30 November 2010

Growing from
strength to strength.

countrywide
Farmers plc

Helping to grow rural businesses.

When it comes to supplying products, services and advice to the rural community, no one understands the unique requirements and challenges faced daily better than Countrywide. As the leading UK specialist in Agriculture, Energy and Retail, we go to great lengths to provide an authentic range of rural products, all of which are seasonally selected by our knowledgeable staff. We also take great pride in offering support and advice to market town and country customers when they need it most. Furthermore, with over 6,000 shareholders, 40,000 account customers and staff numbers surpassing 1,000 across the Group, Countrywide continues to grow from strength to strength.

Agriculture

At the heart of everything we do at Countrywide sits a single word – agriculture. For countless years we've supplied feed and arable products to farming areas throughout the land, with our field specialists and direct sales team working closely with farming and amenity customers to offer the most competitive prices and first-class service. With an ever-expanding product range including everything from blends, straights and high quality feeds, to fertiliser, crop protection and various seeds, farming communities have increasingly grown to rely on the many products Countrywide provide. We also offer specialist products and advice to golf courses and other types of sports grounds through our dedicated Turf and Amenity team. The country pursuits community is now supported by our Country Keeper business supplying specialist products for game keeping and shooting.

Energy

From traditional energy products to renewable sources, Countrywide are rightly considered a leading energy provider. We can supply and deliver a wide range of fuel and energy products to the rural community, all conveniently delivered direct to their door. We can also offer a wide range of fuel tanks suitable for storage on-site. To make life for our customers as simple as possible we've installed over 40 Autogas sites throughout the UK. Everyone at Countrywide takes great pride in being at the forefront of developing and supplying new energy products including biomass wood pellet boilers and renewable electricity, ensuring that while our product offering keeps increasing, our carbon footprint doesn't.

Retail

With 47 country stores throughout the rural community, our ever-expanding retail business has never been better placed to provide our customers with a wide range of relevant products. In addition to the superb range of brands and quality products each of our stores stock, selected stores also sell local produce while fresh plants are available through our numerous garden centres. Our trained in-store specialists are always on hand to offer expert advice on feeding, animal health and equestrian products, plus our fully AMTRA qualified staff can recommend appropriate animal health products. Rural businesses can also take advantage of the services of a dedicated Account Manager plus benefit from competitive discounts on bulk purchases. While all customers can benefit from a local delivery service and online buying 24 hours a day, 7 days a week.

For further information about Countrywide, or to shop online please visit www.countrywidefarmers.co.uk

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Chairman's Report

I am pleased to report that, despite the continued impact of the economic recession and rapidly rising raw material prices, trading was encouraging across our business in the six months to 30th November 2010. Operating profits in our retail business were up on the same period last year, the agriculture business was level and operating profits in our energy division were down. As a result, and after one off costs in the first half totalling £0.3m arising from the impact of the "customer first" programme launched at the start of the year, group operating profit fell to £0.3m (2009: £0.6m) this half year, in line with expectations. Taking account of the gain arising from the sale of surplus land at Melksham, profit after taxation for the half year was £3.3m (2009: loss of £0.3m).

In Agriculture, raw material commodity prices have increased rapidly in the first half of the year reversing the declines seen in the first half of 2009. This resulted in an increase in sales values in the Agriculture business and in addition we achieved growth in compound feed tonnage of nearly 10% in the period. This performance reflects the continued expansion and strengthening of our agricultural team following the recruitment of high calibre sales resources. In addition shortly after the half year end we have acquired the Gloucester Animal Feeds business that will further boost compound feed volumes. The performance of our straights and blends business was more mixed with volumes ahead but margins down in what has become an increasingly competitive market. The arable performance was in line with last year in what is traditionally its quieter half of the year. The outlook for UK agriculture looks increasingly positive and after a number of years of consolidation we are now looking to grow our Agricultural businesses more rapidly.

The Energy business has seen higher sales as a consequence of higher energy prices and higher sales volumes with, in particular, gas volumes up by nearly 12% in the first half. However margins were lower and left overall performance down on last year although in line with expectations. The very cold temperatures in December, the first month of the second half of the year, gave a significant boost to both fuel and gas volumes and the challenge became one of sourcing adequate supplies of product and delivering to customers in the very difficult conditions. The development of our Energy business remains a key part of our strategy and we continue to explore ways to expand our trading area to a wider customer base. In October we acquired 7Y services a rural farm services business that, as well as providing people, technology and know-how to farm customers, also has a renewable energy business specialising in Solar PV complementing our Biomass boiler expertise.

Retail remains the most profitable business within the group and achieved a like for like sales increase of 4.4% in the first six months of the year with our Equestrian and Farmer events being particularly well received by our customers. We completed the acquisition of the Town and Country business based near Exeter in October, following on from the opening of a new store in Honiton in 2009, as we look to expand our business. A reward card was launched in 2010 enabling loyal customers to receive further offers and benefits and to date we have recruited 50,000 customers.

The "customer first" programme announced last autumn is progressing well and the new business operating model has been launched. A key aspect of this change programme will be the introduction of a single customer database that will ultimately enable us to serve our customers more efficiently. We expect the benefits of "customer first" to be evident in the performance of the business in the latter half of calendar year 2011.

Chairman's Report (Continued)

Sale of the surplus land at Melksham generated net proceeds of £7.4m and a profit on disposal of £4.4m was recorded, with a further £2.5m revaluation reserve released to revenue reserves. Interest payable is unchanged at £0.2m with FRS 17 finance charges of £0.3m (2009: £0.6m) resulting in a total interest cost of £0.5m (2009: £0.8m). A significant element of the Melksham proceeds has been re-invested in the purchase of a new freehold head office just outside Evesham in Worcestershire which is in the final stages of fit-out with occupation expected in April. Also at Melksham, a new store opened on adjacent land already owned by the business to coincide with the sale of the other site. These reinvestments leave a strong balance sheet with £30m invested in freehold land and buildings and the business shortly to benefit from a purpose built head office for the first time in its history. These investments are eligible for rollover relief which reduces the tax charge on the disposal to £0.5m of which a further £0.3m will be held over against other qualifying expenditure. In total a tax charge of £0.8m (2009: £0.2m) was incurred in the first half.

The valuation of the closed defined benefit pension scheme under FRS 17 at 30 November 2010 gave rise to an increase in the pension deficit, after deferred tax, to £14.4m compared to £13.4m at 31 May 2010. Full details are provided in note 11 to the accounts. While there has been a further improvement in asset values following the rise in equity markets over the period there has been an increase in calculated liabilities as discount rates have continued to fall. The group's net assets improved to £26.4m at 30 November 2010 compared to £24.5m at 31 May 2010 and net debt fell by £0.9m to £9.0m at 30 November 2010.

The Board expects the Group's performance to improve in the second half of the year, and for full year operating profits to be well ahead of that reported last year. Our success is dependent on the commitment and dedication of our management and staff who are working tirelessly to continue to drive performance in the short term while putting in place the building blocks that will make a real difference to the business and our customers in the longer term. I am delighted once again to thank them for all of their efforts.

Nigel Hall
Chairman
24 February 2011

Registered Office and Advisers

Registered Number	3776711	Bankers	HSBC Bank Plc 62 George White Street Cabot Circus Bristol BS1 3BA
Registered Office	Defford Earls Croome Worcester WR8 9DF		
Auditors	PricewaterhouseCoopers LLP 1 Kingsway Cardiff CF10 3PW	Solicitors	Bond Pearce LLP 3 Temple Quay Temple Back East Bristol BS1 6DZ

Consolidated Profit and Loss Account

For six months ended 30 November 2010

	Note	Six months ended 30 November 2010 £000s	Six months ended 30 November 2009 £000s
Turnover		104,844	93,281
Cost of Sales		(85,668)	(74,878)
Gross Profit		<hr/> 19,176	<hr/> 18,403
Other operating income		167	461
Net operating expenses		(19,057)	(18,242)
Operating Profit		<hr/> 286	<hr/> 622
Non-operating items:			
Profit on disposal of Tangible Fixed Assets	4	4,351	-
Profit before interest and taxation		<hr/> 4,637	<hr/> 622
Interest payable	2a	(206)	(205)
Other finance expense	2b	(323)	(581)
Profit/(Loss) on ordinary activities before taxation		<hr/> 4,108	<hr/> (164)
Taxation	3	(825)	(157)
Profit/(Loss) after taxation		<hr/> 3,283	<hr/> (321)
Minority Interests in profit/loss for the period		(20)	(10)
Profit/(Loss) for the period		<hr/> 3,263	<hr/> (331)

Statement of Total Consolidated Recognised Gains and Losses

For six months ended 30 November 2010

		Six months ended 30 November 2010 £000s	Six months ended 30 November 2009 £000s
	Note		
Profit/(Loss) for the financial period		3,263	(331)
Actuarial (loss)/gain recognised in the pension scheme	11	(1,780)	502
Movement on deferred tax asset relating to pension scheme		481	(141)
Impact of tax rate change recognised in reserves		(186)	-
Total recognised gains for the period		<u>1,778</u>	<u>30</u>

Consolidated Balance Sheet

At 30 November 2010

		At 30 November 2010 £000s	At 30 November 2009 £000s	At 31 May 2010 £000s
Fixed Assets				
Intangible assets				
Goodwill		1,182	803	818
Negative Goodwill		(724)	(830)	(777)
		<u>458</u>	<u>(27)</u>	<u>41</u>
Tangible assets	4	39,099	38,047	38,373
Investments		41	102	41
		<u>39,598</u>	<u>38,122</u>	<u>38,455</u>
Current Assets				
Stock	5	18,793	16,446	17,454
Debtors	6	22,465	19,984	22,830
Cash at bank and in hand		2,067	1,581	3,518
		<u>43,325</u>	<u>38,011</u>	<u>43,802</u>
Creditors - amounts falling due within one year	7	(30,889)	(25,931)	(31,102)
Net Current Assets		<u>12,436</u>	<u>12,080</u>	<u>12,700</u>
Total Assets less Current Liabilities		<u>52,034</u>	<u>50,202</u>	<u>51,155</u>
Creditors - amounts falling due after more than one year	8	(10,281)	(12,083)	(12,068)
Provisions for liabilities and charges		(944)	(1,236)	(1,222)
Net assets excluding Pension Liability		<u>40,809</u>	<u>36,883</u>	<u>37,865</u>
Net Pension Liability	11	(14,454)	(12,569)	(13,359)
Net assets		<u>26,355</u>	<u>24,314</u>	<u>24,506</u>
Capital and Reserves				
Called up share capital		16,413	16,413	16,413
Revaluation reserve		12,040	14,536	14,536
Profit and loss account	9	(2,254)	(6,771)	(6,590)
Equity shareholders' funds	10	26,199	24,178	24,359
Equity minority interests		156	136	147
Total equity shareholders' funds		<u>26,355</u>	<u>24,314</u>	<u>24,506</u>

The financial statements on pages 3 to 14 were approved by the Board of Directors on 24 February 2011.

Consolidated Cash Flow Statement

For six months ended 30 November 2010

		Six months ended 30 November 2010 £000s	Six months ended 30 November 2009 £000s
Net cash inflow from operating activities	(a)	(387)	2,201
Returns on investments and servicing of finance			
Interest paid		(218)	(197)
Interest element of finance lease payments		(3)	(5)
Dividend paid to minority interests		(11)	-
		<u>(232)</u>	<u>(202)</u>
Taxation			
Corporation tax received		13	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(5,393)	(2,440)
Sale of tangible fixed assets		7,444	451
		<u>2,051</u>	<u>(1,989)</u>
Acquisitions and disposals			
Payment to acquire trade and business		(573)	(1,072)
Net cash flow before financing		<u>872</u>	<u>(1,062)</u>
Financing			
Decrease in Members' Retirement Scheme		(278)	(16)
Repayment of loans		(2,000)	-
Capital element of finance lease payments		(45)	(52)
Net cash (outflow) from financing		<u>(2,323)</u>	<u>(68)</u>
Decrease in cash for the period	(b)	<u>(1,451)</u>	<u>(1,130)</u>

Consolidated Cash Flow Statement Notes

For six months ended 30 November 2010

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

	Six months ended 30 November 2010 £000s	Six months ended 30 November 2009 £000s
Operating profit	286	622
Depreciation charge	1,665	1,728
Net goodwill amortisation	81	33
Profit on disposal of fixed assets	(14)	(302)
(Increase)/Decrease in stock	(1,339)	269
(Increase)/Decrease in debtors	(99)	5,076
(Decrease) in creditors	(171)	(4,697)
Excess of pension contributions over charge	(858)	(558)
Share option charge	62	30
Net cash (outflow)/inflow from operating activities	<u>(387)</u>	<u>2,201</u>

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

	Six months ended 30 November 2010 £000s	Six months ended 30 November 2009 £000s
Decrease in Cash at bank	(1,451)	(1,130)
Decrease in loans	2,000	-
Decrease in lease financing	45	52
Decrease in Members' Retirement Scheme	278	16
Movement in net debt for the period	<u>872</u>	<u>(1,062)</u>
Opening net debt	<u>(9,847)</u>	<u>(10,736)</u>
Closing net debt	<u>(8,975)</u>	<u>(11,798)</u>

Consolidated Cash Flow Statement Notes (Continued)

For six months ended 30 November 2010

(c) Analysis of Net Debt

Group	At 1 June 2010 £000s	Cash Flow £000s	At 30 November 2010 £000s
Cash at bank	3,518	(1,451)	2,067
Due within one year: Finance leases	(75)	32	(43)
Due after one year: Bank loans	(12,000)	2,000	(10,000)
Members' Retirement Scheme	(1,222)	278	(944)
Finance leases	(68)	13	(55)
	<u>(9,847)</u>	<u>872</u>	<u>(8,975)</u>

Notes to the Financial Statements

For six months ended 30 November 2010

1) BASIS OF PREPARATION

The interim report and accounts are unaudited but have been formally reviewed by the auditors and their report is set out on page 15. The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 May 2010 were approved by the board on 26 August 2010 and delivered to the Registrar of Companies. The report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The accounting policies used in these statements are consistent with those used in the Financial Statements at 31 May 2010, which are prepared under UK GAAP.

2a) INTEREST

	Six months ended 30 November 2010 £000s	Six months ended 30 November 2009 £000s
Interest Payable		
Interest payable on bank loans and overdrafts	203	200
Interest payable on finance leases	3	5
	<hr/> 206	<hr/> 205

2b) OTHER FINANCE EXPENSE

	Six months ended 30 November 2010 £000s	Six months ended 30 November 2009 £000s
Other finance expense - pension scheme	<hr/> 323	<hr/> 581

Notes to the Financial Statements (Continued)

For six months ended 30 November 2010

3) TAX ON PROFIT ON ORDINARY ACTIVITIES

	30 November 2010 £000s	30 November 2009 £000s
Current tax		
United Kingdom corporation tax at 27.83% (2009: 28%)	226	55
Over provision in respect of prior year	(9)	(3)
Current tax charge	<u>217</u>	<u>52</u>
Deferred tax	608	105
Tax on profit on ordinary activities	<u>825</u>	<u>157</u>

4) TANGIBLE FIXED ASSETS

Group	Freehold Land and Buildings £000s	Leasehold Property £000s	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost					
At 1 June 2010	30,447	1,675	37,299	2,048	71,469
Additions	3,285	21	2,063	99	5,468
Disposals	(4,060)	(7)	(799)	(68)	(4,934)
At 30 November 2010	<u>29,672</u>	<u>1,689</u>	<u>38,563</u>	<u>2,079</u>	<u>72,003</u>
Depreciation					
At 1 June 2010	8,201	1,064	22,408	1,423	33,096
Charge for the period	259	77	1,198	131	1,665
Disposals	(1,068)	(1)	(726)	(62)	(1,857)
At 30 November 2010	<u>7,392</u>	<u>1,140</u>	<u>22,880</u>	<u>1,492</u>	<u>32,904</u>
Net book value at 30 November 2010	<u>22,280</u>	<u>549</u>	<u>15,683</u>	<u>587</u>	<u>39,099</u>
Net book value at 31 May 2010	<u>22,246</u>	<u>611</u>	<u>14,891</u>	<u>625</u>	<u>38,373</u>

The net profit on sale of tangible fixed assets of £4,351,000 (2009: £nil) arose principally from the disposal of properties that were surplus to the Group's operational requirements.

Notes to the Financial Statements (Continued)

For six months ended 30 November 2010

5) STOCK

	At 30 November 2010 £000s	At 30 November 2009 £000s	At 31 May 2010 £000s
Finished goods	18,793	16,446	17,454

6) DEBTORS

	At 30 November 2010 £000s	At 30 November 2009 £000s	At 31 May 2010 £000s
Trade debtors	19,682	15,178	19,041
Other debtors	791	1,705	1,007
Prepayments and accrued income	1,608	1,407	1,935
Corporation taxation	-	60	-
Deferred taxation	384	1,634	847
	<u>22,465</u>	<u>19,984</u>	<u>22,830</u>

7) CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 30 November 2010 £000s	At 30 November 2009 £000s	At 31 May 2010 £000s
Trade creditors	24,208	19,657	25,282
Finance lease obligations	43	115	75
Corporation tax	103	36	99
Other taxation and social security	451	558	868
Accruals and deferred income	6,084	5,565	4,778
	<u>30,889</u>	<u>25,931</u>	<u>31,102</u>

Notes to the Financial Statements (Continued)

For six months ended 30 November 2010

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

	At 30 November 2010 £000s	At 30 November 2009 £000s	At 31 May 2010 £000s
Bank loans	10,000	12,000	12,000
Finance lease obligations	55	28	68
Corporation tax	226	55	-
	<u>10,281</u>	<u>12,083</u>	<u>12,068</u>

9) PROFIT AND LOSS ACCOUNT

	£000s
At 1 June 2010	(6,590)
Retained profit for the period	3,263
Actuarial loss on pension scheme	(1,780)
Movement on deferred tax relating to pension liability	295
Share option charge	62
Realisation of property valuation gain	2,496
At 30 November 2010	<u>(2,254)</u>

10) RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	At 30 November 2010 £000s	At 30 November 2009 £000s
At beginning of period	24,359	24,118
Retained profit for the period	3,263	(331)
Actuarial (loss)/gain on pension scheme	(1,780)	502
Movement on deferred tax relating to pension liability	295	(141)
Share option charge	62	30
At end of period	<u>26,199</u>	<u>24,178</u>

Notes to the Financial Statements (Continued)

For six months ended 30 November 2010

11) PENSION OBLIGATIONS

During the period, the Group has operated two pension schemes, the Countrywide Farmers Money Purchase Pension Scheme and the Countrywide Farmers Retirement Benefits Scheme.

A full actuarial valuation of the Countrywide Farmers Retirement Benefits Scheme was carried out at 5 April 2009 and the draft result has been updated to 30 November 2010 by a qualified independent actuary. The major assumptions used by the actuary in the valuation of the scheme under FRS17 are as detailed in the Financial Statements at 31 May 2010, with the following exceptions: discount rate of 5.50% (May 2010: 5.75%), and price inflation and rate of increase in pensions in payment of 3.2% (May 2010: 3.25%).

	At 30 November 2010 £000s	At 30 November 2009 £000s	At 31 May 2010 £000s
Analysis of the amount charged to other finance expense:			
Net expense	323	581	1,154
Analysis of amount recognised in statement of total recognised gains and losses (STRGL):			
Net (loss)/gain recognised	(1,780)	502	(519)
The change in defined benefit obligation and assets for the final salary section of the scheme			
Defined benefit obligation at beginning of period	75,445	66,471	66,471
Interest cost	2,137	2,162	4,277
Benefits paid	(1,714)	(1,903)	(3,345)
Actuarial loss	4,019	6,732	8,042
Defined benefit obligation at end of period	<u>79,887</u>	<u>73,462</u>	<u>75,445</u>

Notes to the Financial Statements (Continued)

For six months ended 30 November 2010

	At 30 November 2010 £000s	At 30 November 2009 £000s	At 31 May 2010 £000s
Fair value of assets at beginning of period	56,891	48,535	48,535
Expected return on assets	1,814	1,581	3,123
Employer contributions	858	558	1,055
Benefits paid	(1,714)	(1,903)	(3,345)
Actuarial gain on assets	2,239	7,234	7,523
Fair value of assets at end of period	<u>60,088</u>	<u>56,005</u>	<u>56,891</u>
Deficit in the scheme	(19,799)	(17,457)	(18,554)
Related deferred tax asset	<u>5,345</u>	<u>4,888</u>	<u>5,195</u>
Net pension liability	<u>(14,454)</u>	<u>(12,569)</u>	<u>(13,359)</u>

Independent review report to Countrywide Farmers plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2010, which comprises the consolidated profit and loss account, statement of consolidated total recognised gains and losses, the consolidated balance sheet, consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Sharemark Listing Rules.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK GAAP.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Sharemark Listing Rules and for no other purpose. We do not, in producing this report, 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 review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2010 is not prepared, in all material respects, in accordance with UK GAAP and the Sharemark Listing Rules.

PricewaterhouseCoopers LLP
Chartered Accountants
Cardiff

Closer to our customers' needs...



With 47 country stores throughout England and Wales, from Wrexham to Waterlooville, more and more rural communities can depend on the best choice, value and service in the countryside.

countrywide
Farmers plc

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