



Interim Report & Accounts

For six months ended 30 November 2011

countrywide
Farmers plc

FOR THE COUNTRY WISE

About Countrywide

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

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

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

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

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

Our commitment to customers is to provide:-



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.

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Chairman's Report

The impact of tough economic conditions and the warm autumn weather combined to produce a disappointing result in the six months to 30 November 2011.

Group sales at £123.4m (2010: £104.8m) included £13.4m sales from the Heart of England Grain Co Limited, the grain trading business that was acquired on 1 August 2011. Group operating losses of £1.2m were recorded (2010: £0.3m operating profit) in what is always our weaker trading half. The Direct Sales business traded in line with expectations and ahead of last year but the Retail business posted lower sales and margins and, as a result, a sharp reduction in profits. A loss after interest of £1.5m was recorded in the six months against a £4.1m profit in 2010 that included a £4.4m profit on the sale of surplus land at Melksham.

The Direct Sales business includes the Agriculture and Energy segments and continues to grow. Agriculture traded in line with expectations and contribution was up on last year. Raw material commodity prices have largely stabilised after the rapid growth seen in 2010 but they were significantly higher year on year in the first half. This inflation helped support an increase in sales values and working capital, however compound feed volumes also finished ahead of last year. This growth reflected the continued expansion and strengthening of our agricultural team following the recruitment of high calibre sales resources, the acquisition of Gloucester Animal Feeds in 2010 and the new feed partnership with Cornwall Farmers. The performance of our straights and blends business recovered from what had been a challenging first half last year. The arable business was boosted by the acquisition of Heart of England Grain Co Limited that made a positive contribution in its first four months trading as part of the group. The business and assets were hived up into Countrywide Farmers Plc on 30 November 2011. For Energy, the warm Autumn weather significantly reduced demand for fuel and LP Gas with fuel volumes in particular being well down on last year. However improved margins left overall performance up on last year and in line with expectations. 7Y services, the rural farm services business that was acquired in 2010 also traded strongly with its renewable energy sector performing well in the first half with customers installing Solar PV before the feed in tariff change in December 2011.

The Retail business saw a like for like sales decline of 4% versus last year following the disappointing performance in the second half of the last financial year. Although the impact of the unseasonably warm Autumn weather was reflected in the poor performance of the clothing, footwear and heating categories, and progress was made in categories such as agriculture and equestrian, action is needed to arrest the reduction in transaction numbers and values. Margins also finished down on last year driven by the competitive market, the mix of sales and markdowns taken to manage stock levels. Rural retailing is not immune from the challenges that the whole of the UK retail industry is facing with disposable income under pressure, consumer confidence low and inflation impacting product cost. Our challenge is to reposition our retail business to focus on quality, value and affordability whilst at the same time maintaining the strong progress we have made in recent years on customer service. This work is ongoing and is bringing benefits with the successful launch of the first phase of our "value" range in the Autumn. We have taken robust action to control stock levels in the business and capital expenditure plans have been scaled back as we work through the detail of the retail repositioning, which includes a comprehensive review of all of our product ranges and supplier relationships. It will take time for the benefits of these activities to show but we remain confident of maintaining our leading position as a retailer in the rural community.

The challenging trading conditions, especially the disappointing Retail performance, have led to a review of the operational structure of the whole business. As a result, a cost reduction programme is being implemented across the whole business lowering the cost base by at least £2.5m on an annual basis. As a consequence it is regrettable to see some long serving and loyal employees leave us, but the actions have been necessary to secure the long term success of the business.

Chairman's Report (Continued)

The valuation of the closed defined benefit pension scheme under FRS 17 at 30 November 2011 led to a £7.1m increase in the pension deficit, after deferred tax, to £19.7m. (31 May 2011: £12.6m). There was a £3.9m deterioration in asset values following falls in equity markets over the half and a £5.3m increase in calculated liabilities as discount rates have fallen to 4.8% (31 May 2011 5.33%). Full details are provided in note 12 to the accounts. As a consequence of the higher pension deficit, the group's net assets fell to £20.6m at 30 November 2011 compared to £29.6m at 31 May 2011. Net debt increased to £18.9m at 30 November 2011 reflecting higher levels of working capital to fund the sales increase and the acquisition of Heart of England Grain Co Limited. Working capital and capital expenditure remains tightly controlled and net debt levels will fall from the half year seasonal peak by the year end.

We have seen tough trading continue over the Winter and full year operating profits are expected to be behind the level reported last year with trading conditions expected to remain challenging for the foreseeable future. The decisions that have been taken to reduce the cost base of the business will be fully in place for the start of the new financial year. This will result in restructuring costs being incurred in the second half of the year which will partly offset the immediate benefits of the cost reductions. These actions will, however, support the business returning to a profitable growth path. The outlook for UK agriculture remains positive and we continue to look to grow the business through expanding our geographical footprint. We have announced today the acquisition of H&C Pearce & Sons Limited, a specialist animal health and farm supplies business and a new store at Towcester is due to open later in March. Our new CRM system is being rolled out to the business in the second half of the year and will be a key enabler to further grow our business to business sales in the future.

Our success remains dependant on the commitment and dedication of our management and staff who are working tirelessly to continue to drive performance despite the challenging market conditions. I am pleased once again to thank them for all of their efforts.

Nigel Hall
Chairman
5 March 2012

Registered Office and Advisers

Registered Number	3776711	Bankers	HSBC Bank Plc 62 George White Street Cabot Circus Bristol BS1 3BA
Registered Office	Countrywide House Asparagus Way Vale Park Evesham Worcestershire WR11 1GN		
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 2011

		Six months ended 30 November 2011 £000s	Six months ended 30 November 2010 £000s	Year ended 31 May 2011 £000s
Turnover		123,371	104,844	226,290
Cost of Sales		(103,182)	(85,668)	(184,634)
Gross Profit		<u>20,189</u>	<u>19,176</u>	<u>41,656</u>
Other operating income		74	167	264
Net operating expenses		(21,418)	(19,057)	(37,899)
Operating Profit		<u>(1,155)</u>	<u>286</u>	<u>4,021</u>
Non-operating items:				
Profit on disposal of Tangible Fixed Assets	4	-	4,351	5,025
Profit before interest and taxation		<u>(1,155)</u>	<u>4,637</u>	<u>9,046</u>
Interest payable	2a	(306)	(206)	(474)
Other finance expense	2b	(71)	(323)	(677)
(Loss)/Profit on ordinary activities before taxation		<u>(1,532)</u>	<u>4,108</u>	<u>7,895</u>
Taxation	3	251	(825)	(1,579)
(Loss)/Profit after taxation		<u>(1,281)</u>	<u>3,283</u>	<u>6,316</u>
Minority Interests in (loss)/profit for the period		(18)	(20)	(42)
(Loss)/Profit for the period		<u>(1,299)</u>	<u>3,263</u>	<u>6,274</u>

Note of Historical Cost Profits and Losses

For six months ended 30 November 2011

	Six months ended 30 November 2011 £000s	Six months ended 30 November 2010 £000s	Year ended 31 May 2011 £000s
Reported (loss)/profit on ordinary activities before taxation	(1,532)	4,108	7,895
Realisation of property revaluation gains of prior years	-	2,496	2,530
Historical cost (loss)/profit on ordinary activities before taxation	(1,532)	6,604	10,425
Historical cost (loss)/profit for the period after taxation and minority interest	(1,299)	6,318	9,363

Statement of Total Consolidated Recognised Gains and Losses

For six months ended 30 November 2011

	Note	Six months ended 30 November 2011 £000s	Six months ended 30 November 2010 £000s	Year ended 31 May 2011 £000s
(Loss)/Profit for the financial period		(1,299)	3,263	6,274
Actuarial (loss)/gain recognised in the pension scheme	12	(10,164)	(1,780)	290
Movement on deferred tax asset relating to pension scheme		2,541	481	(75)
Impact of tax rate change recognised in reserves		(171)	(186)	(371)
Total recognised gains for the period		(9,093)	1,778	6,118

Consolidated Balance Sheet

At 30 November 2011

		At 30 November 2011 £000s	At 30 November 2010 £000s	At 31 May 2011 £000s
Fixed Assets				
Intangible assets				
Goodwill		2,710	1,182	1,463
Negative Goodwill		(618)	(724)	(671)
		<u>2,092</u>	<u>458</u>	<u>792</u>
Tangible assets	4	41,981	39,099	40,979
Investments		41	41	41
		<u>44,114</u>	<u>39,598</u>	<u>41,812</u>
Current Assets				
Stock	6	19,750	18,793	19,511
Debtors	7	27,438	22,465	23,615
Cash at bank and in hand		-	2,067	3,982
		<u>47,188</u>	<u>43,325</u>	<u>47,108</u>
Creditors - amounts falling due within one year	8	(37,993)	(30,889)	(33,693)
Net Current Assets		<u>9,195</u>	<u>12,436</u>	<u>13,415</u>
Total Assets less Current Liabilities		<u>53,309</u>	<u>52,034</u>	<u>55,227</u>
Creditors - amounts falling due after more than one year	9	(12,159)	(10,281)	(12,048)
Provisions for liabilities and charges		(834)	(944)	(965)
Net assets excluding Pension Liability		<u>40,316</u>	<u>40,809</u>	<u>42,214</u>
Net Pension Liability	12	(19,743)	(14,454)	(12,642)
Net assets		<u>20,573</u>	<u>26,355</u>	<u>29,572</u>
Capital and Reserves				
Called up share capital		16,413	16,413	16,413
Revaluation reserve		12,006	12,040	12,006
Profit and loss account	10	(8,042)	(2,254)	975
Equity shareholders' funds	11	<u>20,377</u>	<u>26,199</u>	<u>29,394</u>
Equity minority interests		196	156	178
Total equity shareholders' funds		<u>20,573</u>	<u>26,355</u>	<u>29,572</u>

The financial statements on pages 3 to 14 were approved by the Board of Directors on 5 March 2012.

Consolidated Cash Flow Statement

For six months ended 30 November 2011

		Six months ended 30 November 2011 £000s	Six months ended 30 November 2010 £000s
Net cash outflow from operating activities	(a)	(4,899)	(387)
Returns on investments and servicing of finance			
Interest paid		(317)	(218)
Interest element of finance lease payments		(1)	(3)
Dividend paid to minority interests		-	(11)
		<u>(318)</u>	<u>(232)</u>
Taxation			
Corporation tax received		-	13
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,443)	(5,393)
Sale of tangible fixed assets		78	7,444
		<u>(2,365)</u>	<u>2,051</u>
Acquisitions and disposals			
Payment to acquire business		(1,955)	(573)
Bank overdrafts acquired		(434)	-
		<u>(2,389)</u>	<u>-</u>
Net cash flow before financing		<u>(9,971)</u>	<u>872</u>
Financing			
Decrease in Members' Retirement Scheme		(46)	(278)
Repayment of loans		-	(2,000)
Capital element of finance lease payments		66	(45)
Net cash inflow/(outflow) from financing		<u>20</u>	<u>(2,323)</u>
Decrease in cash for the period	(b)	<u>(9,951)</u>	<u>(1,451)</u>

Consolidated Cash Flow Statement Notes

For six months ended 30 November 2011

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

	Six months ended 30 November 2011 £000s	Six months ended 30 November 2010 £000s
Operating (loss)/profit	(1,155)	286
Depreciation charge	1,723	1,665
Net goodwill amortisation	198	81
Loss/(Profit) on disposal of fixed assets	22	(14)
Increase in stock	(108)	(1,339)
Decrease/(Increase) in debtors	333	(99)
(Decrease) in creditors	(4,970)	(171)
Excess of pension contributions over charge	(1,018)	(858)
Share option charge	76	62
Net cash outflow from operating activities	<u>(4,899)</u>	<u>(387)</u>

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

	Six months ended 30 November 2011 £000s	Six months ended 30 November 2010 £000s
Decrease in Cash at bank	(3,982)	(1,451)
Increase in net overdraft	(5,969)	-
Decrease in loans	-	2,000
Decrease/(Increase) in lease financing	(66)	45
Decrease in Members' Retirement Scheme	46	278
Movement in net debt for the period	<u>(9,971)</u>	<u>872</u>
Opening net debt	<u>(8,967)</u>	<u>(9,847)</u>
Closing net debt	<u>(18,938)</u>	<u>(8,975)</u>

Consolidated Cash Flow Statement Notes (Continued)

For six months ended 30 November 2011

(c) Analysis of Net Debt

Group	At 1 June 2011 £000s	Cash Flow £000s	At 30 November 2011 £000s
Cash at bank	3,982	(3,982)	-
Due within one year:			
Overdrafts	-	(5,969)	(5,969)
Finance leases	(21)	(12)	(33)
Due after one year:			
Bank loans	(12,000)	-	(12,000)
Members' Retirement Scheme	(880)	46	(834)
Finance leases	(48)	(54)	(102)
	<u>(8,967)</u>	<u>(9,971)</u>	<u>(18,938)</u>

Notes to the Financial Statements

For six months ended 30 November 2011

1) BASIS OF PREPARATION

The interim report and accounts are unaudited. 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 2011 were approved by the board on 24 August 2011 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 2011, which are prepared under UK GAAP.

2a) INTEREST

	Six months ended 30 November 2011 £000s	Six months ended 30 November 2010 £000s	Year ended 31 May 2011 £000s
Interest Payable			
Interest payable on bank loans and overdrafts	305	203	467
Interest payable on finance leases	1	3	7
	<u>306</u>	<u>206</u>	<u>474</u>

2b) OTHER FINANCE EXPENSE

	Six months ended 30 November 2011 £000s	Six months ended 30 November 2010 £000s	Year ended 31 May 2011 £000s
Other finance expense - pension scheme	<u>71</u>	<u>323</u>	<u>677</u>

Notes to the Financial Statements (Continued)

For six months ended 30 November 2011

3) TAX ON PROFIT ON ORDINARY ACTIVITIES

	30 November 2011 £000s	30 November 2010 £000s	31 May 2011 £000s
Current tax			
United Kingdom corporation tax at 25.83% (2010: 27.83%)	135	226	358
Over provision in respect of prior year	-	(9)	(19)
Current tax charge	135	217	339
Deferred tax	(386)	608	1,240
Tax on (loss)/profit on ordinary activities	<u>(251)</u>	<u>825</u>	<u>1,579</u>

4) TANGIBLE FIXED ASSETS

Group	Freehold	Leasehold	Plant and	Vehicles	Total
	Land and Buildings	Property	Machinery		
	£000s	£000s	£000s	£000s	£000s
Cost					
At 1 June 2011	30,080	1,690	40,465	2,157	74,392
Additions	464	-	2,205	152	2,821
Disposals	-	-	(308)	(728)	(1,036)
At 30 November 2011	<u>30,544</u>	<u>1,690</u>	<u>42,362</u>	<u>1,581</u>	<u>76,177</u>
Depreciation					
At 1 June 2011	7,548	1,216	23,038	1,611	33,413
Charge for the period	254	72	1,264	133	1,723
Disposals	-	-	(219)	(721)	(940)
At 30 November 2011	<u>7,802</u>	<u>1,288</u>	<u>24,083</u>	<u>1,023</u>	<u>34,196</u>
Net book value at 30 November 2011	<u>22,742</u>	<u>402</u>	<u>18,279</u>	<u>558</u>	<u>41,981</u>
Net book value at 31 May 2011	<u>22,532</u>	<u>474</u>	<u>17,427</u>	<u>546</u>	<u>40,979</u>

The net profit on sale of tangible fixed assets which arose in the prior year was 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 2011

5) ACQUISITIONS

On 1 August 2011, Countrywide Farmers plc acquired the share capital of Heart of England Grain Company Limited for a consideration of £2,855,332. The assets acquired and the results of the business from their effective date have been consolidated into the financial statements at 30 November 2011 using the acquisition method of accounting.

The 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. This acquisition generated goodwill amounting to £1,499,222 which is being amortised over a ten year period. 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 and will be finalised in the 2012 accounts.

		£000s
Fixed assets		377
Stock		131
Debtors		3,607
Overdraft		(434)
Creditors		<u>(2,326)</u>
		1,355
Consideration paid	1,955	
Deferred consideration	<u>900</u>	
		<u>2,855</u>
Goodwill		1,500

The assets and liabilities of the Heart of England Grain Company Limited were hived up to Countrywide Farmers plc on 30 November 2011.

Notes to the Financial Statements (Continued)

For six months ended 30 November 2011

6) STOCK

	At 30 November 2011 £000s	At 30 November 2010 £000s	At 31 May 2011 £000s
Finished goods	19,750	18,793	19,511

7) DEBTORS

	At 30 November 2011 £000s	At 30 November 2010 £000s	At 31 May 2011 £000s
Trade debtors	23,923	19,682	22,169
Other debtors	890	791	91
Prepayments and accrued income	2,078	1,608	1,355
Deferred taxation	547	384	-
	<u>27,438</u>	<u>22,465</u>	<u>23,615</u>

8) CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 30 November 2011 £000s	At 30 November 2010 £000s	At 31 May 2011 £000s
Bank loans and overdrafts	5,969	-	-
Trade creditors	22,093	24,208	24,686
Finance lease obligations	33	43	21
Corporation tax	574	103	357
Other taxation and social security	783	451	1,037
Accruals and deferred income	8,541	6,084	7,592
	<u>37,993</u>	<u>30,889</u>	<u>33,693</u>

Notes to the Financial Statements (Continued)

For six months ended 30 November 2011

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

	At 30 November 2011 £000s	At 30 November 2010 £000s	At 31 May 2011 £000s
Bank loans	12,000	10,000	12,000
Finance lease obligations	102	55	48
Corporation tax	57	226	-
	<u>12,159</u>	<u>10,281</u>	<u>12,048</u>

10) PROFIT AND LOSS ACCOUNT

	£000s
At 1 June 2011	975
Retained loss for the period	(1,299)
Actuarial loss on pension scheme	(10,164)
Movement on deferred tax recognised in reserves	2,370
Share option charge	76
At 30 November 2011	<u>(8,042)</u>

11) RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	At 30 November 2011 £000s	At 30 November 2010 £000s
At beginning of period	29,394	24,359
Retained (loss)/profit for the period	(1,299)	3,263
Actuarial loss on pension scheme	(10,164)	(1,780)
Movement on deferred tax recognised in reserves	2,370	295
Share option charge	76	62
At end of period	<u>20,377</u>	<u>26,199</u>

Notes to the Financial Statements (Continued)

For six months ended 30 November 2011

12) 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 has been updated to 30 November 2011 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 2011, with the following exceptions: discount rate of 4.8% (May 2011: 5.33%), inflation assumption - RPI of 2.75% (May 2011: 3.30%), inflation assumption - CPI of 2.00% (May 2011: 2.55%) and price inflation and rate of increase of pensions in payment of 2.75% (May 2011: 3.25%).

	At 30 November 2011 £000s	At 30 November 2010 £000s	At 31 May 2010 £000s
Analysis of the amount charged to other finance expense:			
Net expense	71	323	677
Analysis of amount recognised in statement of total recognised gains and losses (STRGL):			
Net (loss)/gain recognised	(10,164)	(1,780)	290
The change in defined benefit obligation and assets for the final salary section of the scheme			
Defined benefit obligation at beginning of period	80,613	75,445	75,445
Interest cost	2,095	2,137	4,326
Benefits paid	(1,656)	(1,714)	(3,404)
Actuarial loss	4,855	4,019	4,246
Defined benefit obligation at end of period	<u>85,907</u>	<u>79,887</u>	<u>80,613</u>

Notes to the Financial Statements (Continued)

For six months ended 30 November 2011

	At 30 November 2011 £000s	At 30 November 2010 £000s	At 31 May 2011 £000s
Fair value of assets at beginning of period	63,530	56,891	56,891
Expected return on assets	2,024	1,814	3,649
Employer contributions	1,018	858	1,858
Benefits paid	(1,656)	(1,714)	(3,404)
Actuarial (loss)/gain on assets	(5,309)	2,239	4,536
Fair value of assets at end of period	<u>59,607</u>	<u>60,088</u>	<u>63,530</u>
Deficit in the scheme	(26,300)	(19,799)	(17,083)
Related deferred tax asset	<u>6,557</u>	<u>5,345</u>	<u>4,441</u>
Net pension liability	<u>(19,743)</u>	<u>(14,454)</u>	<u>(12,642)</u>

Where to find us



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Farmers plc

FOR THE COUNTRY WISE

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