

# Interim Report & Accounts

For six months ended 30 November 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, Small-holder, 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.

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## **Chairman's Report**

I am pleased to report record operating profits in the first half of this year, particularly following the disappointing performance in the last financial year and at a time when general economic conditions remain challenging for most businesses.

Group sales at £138.8m (2011: £123.4m) include £11.6m sales from S M Hackett & Son Limited and H&C Pearce, the two businesses acquired in the last twelve months. A group operating profit of £0.5m was recorded (2011: £1.2m operating loss) in what is always our weaker trading half. The Retail business posted strong like for like sales and, coupled with the cost savings implemented in 2012, recorded a significantly improved performance. The Direct business also exceeded expectations with a strong performance from the feed business. A loss after interest and tax of £0.1m was recorded in the six months (2011: loss of £1.3m).

The Retail business saw like for like sales increase 5% versus last year with the benefits of the repositioning of the business coming through strongly. A renewed focus on the farming, smallholder and equestrian categories as well as the stronger promotion of our excellent value and competitive pricing across all our ranges, helped boost customer numbers. Store presentations were reviewed with an increased focus on bulk product and a number of ranges moving from shelf to a floor pallet presentation. A number of new ranges were also introduced to improve our offer to all customer segments. As expected the move to more competitive pricing led to lower margins across a number of our product categories. However the cost reductions implemented in the second half of last year ensured a significant improvement in the profitability of our Retail business.

The Direct business which includes our Agriculture and Energy activities continued to grow in the first half. Feed volumes were strong and finished 5% up on the first half of last year. While sales were helped by a poor grazing season and low quality silages, our CRM system has helped focus our sales team on winning new dairy feed business. The new trading office in Wetherby, West Yorkshire has performed better than expected. The contribution of Feed was also boosted by the effective management of the significant increases in commodity prices and associated volatility. Arable sales suffered with the wet harvest impacting on our grain trading businesses as well as associated Fertiliser, Seed and Crop protection sales. The consequences of the poor harvest in 2012, is expected to impact on arable trading and input sales until autumn 2013. The LP Gas business performed well and traded above expectations and our excellent service offer has helped gain many new customers. Since the half year, sales have been further boosted by the cold winter weather.

We completed the acquisition of SM Hackett and Son Limited on 31 July 2012 for an initial consideration of £450,000 that could rise to £650,000 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 step in the 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 long term growth opportunities in the arable sector and the Hackett's grain, seed and fertiliser business adds weight to our arable portfolio. Full details of the acquisition are included in note 5 to the accounts. We also acquired a 30% stake in Sterling Sires Limited for a consideration of £80,000 on 4 September 2012. Sterling Sires is a specialist provider of bull semen to the livestock sector and strengthens the advice and service we can provide to dairy and beef farmers across the country. The combination of feeding nutrition, animal health and breeding advice to dairy and beef farmers is a unique proposition that we intend to capitalise on.

Working capital remains tightly controlled with net current assets unchanged from 31 May 2012. Net debt increased £2.4m to £14.2m at 30 November 2012 reflecting seasonal trends, but debt levels were significantly lower than 30 November 2011, when higher capital expenditure and the acquisition of Heart of England Grain Co Limited, increased borrowings to £18.9m.

## **Chairman's Report** (Continued)

The valuation of the closed defined benefit pension scheme under FRS 17 at 30 November 2012 led to a £0.5m decrease in the pension deficit, after deferred tax, to £16.7m. (31 May 2012: £17.2m). There was a £3.5m improvement in asset values following rises in equity markets over the half and a £2.6m increase in calculated liabilities as discount rates have fallen to 4.8% (31 May 2012 5.0%). Full details are provided in note 12 to the accounts.

Tangible fixed assets fell by £1.1m since 31 May 2012, with capital expenditure of £0.9m being lower than the depreciation charge of £1.8m. The group's net assets fell slightly to £21.6m at 30 November 2012 compared to £21.8m at 31 May 2012.

We have seen trading continuing to improve over the winter period and full year operating profits are expected to be well ahead of the level reported last year. The decision taken to reposition our Retail business with more competitive pricing and reducing the cost base has succeeded in restoring profitability. The longer term outlook for UK agriculture remains positive despite the consequences of the poor autumn harvest that will hold back our arable business for the next twelve months or so. We continue to look to grow the business through expanding our geographical presence. In the first half of the year we successfully relocated our Wardle store to new larger and purpose built premises and remodelled our store in Bridgwater to better present our repositioned retail business to customers.

I am pleased to welcome two new non-executive directors both appointed on 25th October 2012. John Elliot has experience running a range of farming businesses, and is also a non-executive director of United Oilseeds Limited and the NFU Mutual, where he is chair of the Audit Committee. Paul Freeston is Chief Executive of Apetito UK, an organisation providing frozen food and catering solutions to Care Homes, Local Authorities and Hospitals as well as providing a frozen meal delivery service to the public via Wiltshire Farm Foods. He has over 25 years' experience in the food and food manufacturing industry. I am confident that their experience will contribute considerably to the continued development and success of the company.

Finally and most importantly, I'd like to thank all the management and staff who have helped deliver the rapid turnaround in company performance this year.

Nigel Hall  
Chairman  
27 February 2013

## **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 2012

		Six months ended 30 November 2012 £000s	Six months ended 30 November 2011 £000s	Year ended 31 May 2012 £000s
<b>Group Turnover</b>		138,839	123,371	266,721
<b>Cost of Sales</b>		(118,738)	(103,182)	(226,352)
<b>Gross Profit</b>		<u>20,101</u>	<u>20,189</u>	<u>40,369</u>
Other operating income		115	74	223
Net operating expenses		(19,671)	(21,418)	(39,273)
<b>Group Operating Profit/(Loss)</b>		<u>545</u>	<u>(1,155)</u>	<u>1,319</u>
Interest payable	2a	(317)	(306)	(611)
Other finance expense	2b	(221)	(71)	(156)
<b>Profit/(Loss) on ordinary activities before taxation</b>		<u>7</u>	<u>(1,532)</u>	<u>552</u>
<b>Taxation on Profit/(Loss) on ordinary activities</b>	3	(127)	251	33
<b>(Loss)/Profit after taxation</b>		<u>(120)</u>	<u>(1,281)</u>	<u>585</u>
Minority Interests in (loss)/profit for the period		(25)	(18)	(42)
<b>(Loss)/profit for the period</b>		<u>(145)</u>	<u>(1,299)</u>	<u>543</u>

There are no differences between the results stated above and their historical cost equivalents. These relate wholly to continuing operations.

# **Statement of Group Total Consolidated Recognised Gains and Losses**

For six months ended 30 November 2012

		Six months ended 30 November 2012 £000s	Six months ended 30 November 2011 £000s	Year ended 31 May 2012 £000s
	<b>Note</b>			
(Loss)/Profit for the financial period		(145)	(1,299)	543
Actuarial gain/(loss) recognised in the pension scheme	12	112	(10,164)	(7,407)
Movement on deferred tax asset relating to pension scheme		(26)	2,541	1,778
Impact of tax rate change recognised in reserves		(226)	(171)	(342)
Total recognised losses for the period		<u>(285)</u>	<u>(9,093)</u>	<u>(5,428)</u>

# Consolidated Balance Sheet

At 30 November 2012

		At 30 November 2012 £000s	At 30 November 2011 £000s	At 31 May 2012 £000s
<b>Fixed Assets</b>				
Intangible assets				
Goodwill		2,571	2,710	2,642
Negative Goodwill		(512)	(618)	(565)
		<u>2,059</u>	<u>2,092</u>	<u>2,077</u>
Tangible assets	4	38,370	41,981	39,493
Investments		123	41	43
		<u>40,552</u>	<u>44,114</u>	<u>41,613</u>
<b>Current Assets</b>				
Stock	6	20,348	19,750	20,122
Debtors	7	30,467	27,438	30,471
Investments		10	-	-
Cash at bank and in hand		871	-	3,249
		<u>51,696</u>	<u>47,188</u>	<u>53,842</u>
<b>Creditors - amounts falling due within one year</b>	8	(38,717)	(37,993)	(40,820)
<b>Net Current Assets</b>		<u>12,979</u>	<u>9,195</u>	<u>13,022</u>
<b>Total Assets less Current Liabilities</b>		<u>53,531</u>	<u>53,309</u>	<u>54,635</u>
<b>Creditors - amounts falling due after more than one year</b>	9	(14,441)	(12,159)	(14,771)
<b>Provisions for liabilities and charges</b>		(845)	(834)	(843)
<b>Net assets excluding Pension Liability</b>		<u>38,245</u>	<u>40,316</u>	<u>39,021</u>
Net Pension Liability	12	(16,681)	(19,743)	(17,177)
<b>Net assets</b>		<u>21,564</u>	<u>20,573</u>	<u>21,844</u>
<b>Capital and Reserves</b>				
Called up share capital		16,413	16,413	16,413
Revaluation reserve		9,701	12,006	9,701
Profit and loss account	10	(4,762)	(8,042)	(4,474)
<b>Total shareholders' funds</b>	11	<u>21,352</u>	<u>20,377</u>	<u>21,640</u>
Minority interests		212	196	204
<b>Capital employed</b>		<u>21,564</u>	<u>20,573</u>	<u>21,844</u>

The financial statements on pages 3 to 14 were approved by the Board of Directors on 27 February 2013.



# Consolidated Cash Flow Statement

For six months ended 30 November 2012

		Six months ended 30 November 2012 £000s	Six months ended 30 November 2011 £000s
<b>Net cash outflow from operating activities</b>	(a)	(484)	(4,899)
<b>Returns on investments and servicing of finance</b>			
Interest paid		(380)	(317)
Interest element of finance lease payments		(4)	(1)
Dividend paid to minority interests		(17)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>		(401)	(318)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(815)	(2,443)
Sale of tangible fixed assets		105	78
<b>Net cash outflow from capital expenditure and financial investment</b>		(710)	(2,365)
<b>Acquisitions and disposals</b>			
Payment to acquire trade and businesses		(567)	(1,955)
Payment to acquire investment in business		(80)	-
Cash acquired with business		(109)	(434)
<b>Net cash outflow for acquisitions and disposals</b>		(756)	(2,389)
<b>Net cash flow before financing</b>		(2,351)	(9,971)
<b>Financing</b>			
Decrease in Members' Retirement Scheme		-	(46)
Capital element of finance lease payments		(27)	66
<b>Net cash (outflow)/inflow from financing</b>		(27)	20
<b>Decrease in cash for the period</b>	(b)	(2,378)	(9,951)

# Consolidated Cash Flow Statement Notes

For six months ended 30 November 2012

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

	Six months ended 30 November 2012 £000s	Six months ended 30 November 2011 £000s
Operating profit/(loss)	545	(1,155)
Depreciation charge	1,827	1,723
Net goodwill amortisation	432	198
Loss on disposal of fixed assets	114	22
Increase in stock	(226)	(108)
Increase in debtors	1,855	333
(Decrease) in creditors	(3,982)	(4,970)
Excess of pension contributions over charge	(1,046)	(1,018)
Share option charge	(3)	76
Net cash outflow from operating activities	<u>(484)</u>	<u>(4,899)</u>

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

	Six months ended 30 November 2012 £000s	Six months ended 30 November 2011 £000s
Decrease in Cash at bank	(2,378)	(3,982)
Increase in net overdraft	-	(5,969)
Decrease/(Increase) in lease financing	27	(66)
Decrease in Members' Retirement Scheme	-	46
Movement in net debt for the period	<u>(2,351)</u>	<u>(9,971)</u>
Opening net debt	<u>(11,809)</u>	<u>(8,967)</u>
Closing net debt	<u>(14,160)</u>	<u>(18,938)</u>

## **Consolidated Cash Flow Statement Notes** (Continued)

For six months ended 30 November 2012

### (c) Analysis of Net Debt

Group	At 1 June 2012 £000s	Cash Flow £000s	At 30 November 2012 £000s
Cash at bank	3,249	(2,378)	871
Due within one year: Finance leases	(59)	(3)	(62)
Due after one year: Bank loans	(14,000)	-	(14,000)
Members' Retirement Scheme	(828)	-	(828)
Finance leases	(171)	30	(141)
	<u>(11,809)</u>	<u>(2,351)</u>	<u>(14,160)</u>

# Notes to the Financial Statements

For six months ended 30 November 2012

## 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 2012 were approved by the Board on 22 August 2012 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 2012, which are prepared under UK GAAP.

## 2a) INTEREST

	Six months ended 30 November 2012 £000s	Six months ended 30 November 2011 £000s	Year ended 31 May 2012 £000s
<b>Interest Payable</b>			
Interest payable on bank loans and overdrafts	313	305	605
Interest payable on finance leases	4	1	6
	<u>317</u>	<u>306</u>	<u>611</u>

## 2b) OTHER FINANCE EXPENSE

	Six months ended 30 November 2012 £000s	Six months ended 30 November 2011 £000s	Year ended 31 May 2012 £000s
Other finance expense - pension scheme	<u>221</u>	<u>71</u>	<u>156</u>

## Notes to the Financial Statements (Continued)

For six months ended 30 November 2012

### 3) TAX ON PROFIT ON ORDINARY ACTIVITIES

	30 November 2012 £000s	30 November 2011 £000s	31 May 2012 £000s
<b>Current tax</b>			
United Kingdom corporation tax at 23.83% (2011: 25.83%)	70	135	(223)
Over provision in respect of prior period	(5)	-	(51)
Current tax charge/(credit)	65	135	(274)
Deferred tax	62	(386)	241
<b>Tax on profit/(loss) on ordinary activities</b>	<u>127</u>	<u>(251)</u>	<u>(33)</u>

### 4) TANGIBLE FIXED ASSETS

Group	Freehold	Leasehold	Plant and	Vehicles	Total
	Land and Buildings	Property	Machinery		
	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>					
At 1 June 2012	28,412	1,836	43,333	1,169	74,750
Additions	-	4	790	129	923
Disposals	(8)	(52)	(328)	(1)	(389)
<b>At 30 November 2012</b>	<u>28,404</u>	<u>1,788</u>	<u>43,795</u>	<u>1,297</u>	<u>75,284</u>
<b>Depreciation</b>					
At 1 June 2012	8,062	1,343	25,281	571	35,257
Charge for the period	258	47	1,394	128	1,827
Disposals	(2)	(5)	(162)	(1)	(170)
<b>At 30 November 2012</b>	<u>8,318</u>	<u>1,385</u>	<u>26,513</u>	<u>698</u>	<u>36,914</u>
<b>Net book value at 30 November 2012</b>	<u>20,086</u>	<u>403</u>	<u>17,282</u>	<u>599</u>	<u>38,370</u>
Net book value at 31 May 2012	<u>20,350</u>	<u>493</u>	<u>18,052</u>	<u>598</u>	<u>39,493</u>

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

For six months ended 30 November 2012

### 5) ACQUISITIONS

On 31 July 2012, Countrywide Farmers plc completed the acquisition of the entire share capital of S.M. Hackett and Son Limited.

Details of the estimated asset values acquired and provisional price paid are given below:

<b>Initial fair value of acquisition</b>	<b>£000s</b>
Fixed assets	108
Debtors	1,758
Overdraft	(109)
Creditors	<u>(1,603)</u>
	154
Anticipated goodwill	396
<b>Total consideration</b>	<u><b>550</b></u>
<b>Consideration</b>	
Consideration paid on completion	450
Fair value of contingent consideration	100
	<u><b>550</b></u>

The final consideration to be paid is subject to the financial performance of the business in the period from acquisition to May 2015. In line with the sale and purchase agreement the maximum contingent consideration will be £200,000.

On 4 September 2012, Countrywide Farmers plc acquired a 30% stake in Sterling Sires Limited for a consideration of £80,000.

## Notes to the Financial Statements (Continued)

For six months ended 30 November 2012

### 6) STOCK

	At 30 November 2012 £000s	At 30 November 2011 £000s	At 31 May 2012 £000s
Work in progress	12	-	43
Finished goods	20,336	19,750	20,079
	<u>20,348</u>	<u>19,750</u>	<u>20,122</u>

### 7) DEBTORS

	At 30 November 2012 £000s	At 30 November 2011 £000s	At 31 May 2012 £000s
Trade debtors	27,741	23,923	27,485
Other debtors	303	890	112
Prepayments and accrued income	1,944	2,078	2,498
Corporation taxation	206	-	233
Deferred taxation	273	547	143
	<u>30,467</u>	<u>27,438</u>	<u>30,471</u>

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

	At 30 November 2012 £000s	At 30 November 2011 £000s	At 31 May 2012 £000s
Bank loans and overdrafts	-	5,969	-
Trade creditors	30,505	22,093	32,599
Finance lease obligations	62	33	59
Corporation tax	69	574	9
Other taxation and social security	900	783	635
Accruals and deferred income	7,181	8,541	7,518
	<u>38,717</u>	<u>37,993</u>	<u>40,820</u>

## Notes to the Financial Statements (Continued)

For six months ended 30 November 2012

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

	At 30 November 2012 £000s	At 30 November 2011 £000s	At 31 May 2012 £000s
Bank loans	14,000	12,000	14,000
Finance lease obligations	141	102	171
Corporation tax	300	57	600
	<u>14,441</u>	<u>12,159</u>	<u>14,771</u>

### 10) PROFIT AND LOSS ACCOUNT

	Group £000s
At 1 June 2012	(4,474)
Retained loss for the period	(145)
Actuarial gain on pension scheme	112
Movement on deferred tax recognised in reserves	(252)
Share option charge	(3)
At 30 November 2012	<u>(4,762)</u>

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

	At 30 November 2012 £000s	At 30 November 2011 £000s
At beginning of period	21,640	29,394
Retained (loss) for the period	(145)	(1,299)
Actuarial gain/(loss) on pension scheme	112	(10,164)
Movement on deferred tax recognised in reserves	(252)	2,370
Share option charge	(3)	76
At end of period	<u>21,352</u>	<u>20,377</u>



# Notes to the Financial Statements (Continued)

For six months ended 30 November 2012

## 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 2012 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 2012, with the following exceptions: discount rate of 4.8% (May 2012: 5.00%), inflation assumption - RPI of 2.6% (May 2012: 2.70%) and price inflation and rate of increase of pensions in payment of 2.6% (May 2012: 2.7%).

	At 30 November 2012 £000s	At 30 November 2011 £000s	At 31 May 2012 £000s
<b>Analysis of the amount charged to other finance expense:</b>			
Net expense	221	71	156
<b>Analysis of amount recognised in statement of total recognised gains and losses (STRGL):</b>			
Net gain/(loss) recognised	112	(10,164)	(7,407)
<b>The change in defined benefit obligation and assets for the final salary section of the scheme</b>			
Defined benefit obligation at beginning of period	82,785	80,613	80,613
Interest cost	2,046	2,095	4,197
Benefits paid	(1,742)	(1,656)	(3,592)
Actuarial loss	2,243	4,855	1,567
Defined benefit obligation at end of period	<u>85,332</u>	<u>85,907</u>	<u>82,785</u>

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

For six months ended 30 November 2012

	At 30 November 2012 £000s	At 30 November 2011 £000s	At 31 May 2012 £000s
Fair value of assets at beginning of period	60,185	63,530	63,530
Expected return on assets	1,825	2,024	4,041
Employer contributions	1,046	1,018	2,046
Benefits paid	(1,742)	(1,656)	(3,592)
Actuarial gain/(loss) on assets	2,355	(5,309)	(5,840)
Fair value of assets at end of period	<u>63,669</u>	<u>59,607</u>	<u>60,185</u>
Deficit in the scheme	(21,663)	(26,300)	(22,600)
Related deferred tax asset	<u>4,982</u>	<u>6,557</u>	<u>5,423</u>
Net pension liability	<u>(16,681)</u>	<u>(19,743)</u>	<u>(17,177)</u>

# Where to find us



# **countrywide**

*Farmers plc*



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