countrywide Farmers plc

Supplying the rural community




Annual Report & Accounts

Year Ended 31 May 2008

Supplying the rural community

Countrywide is the leading UK business in the supply of products and advice to the rural community. The business has three specialist areas - Agriculture, Energy and Retail trading throughout the UK to market town and country customers, with products available through sales specialists, direct sales team, country stores and e-commerce. Countrywide understands how things work in the rural community, providing an authentic range of rural products, seasonally selected supported by knowledgeable staff. Countrywide has over 11,000 shareholders, 40,000 account customer and employ over 800 members of staff.

Agriculture

The agricultural business supplies a wide range of feed and arable products to farmers. The range includes compound feeds, blends, straights, feed supplements, grass seed, cereal seed, fertiliser and crop protection. In addition specialist products are supplied to golf courses and sports grounds by Turf & Amenity. Feed and Arable sales specialists work in the field to deliver expert knowledge to farming and amenity customers and a direct sales team offer competitive prices on a wide range of inputs. Supported by a fleet of branded vehicles and a dedicated customer service team the business provides a first class customer experience.

Energy

We have been supplying products to the rural community for over 50 years. Heating oil, tractor diesel and road diesel are delivered direct with a range of fuel tanks available for safe and secure storage. Over 40 autogas sites are located throughout the UK, and fuel card packages are available for forecourts nationwide. Renewable energy solutions have been introduced to the portfolio of products, including biomass wood pellet boilers. LP gas is available in bulk and cylinders and along with all energy products is supported by an excellent customer service team, with a human voice on the end of the phone.

Retail

The retail business has over 40 country stores throughout the rural community. The country stores supply a wide range of products for farmers, smallholders, equestrians, pet owners, country sports people, gardeners, general public and rural businesses. Country Stores feature a superb range of products, with selected stores selling local produce and a range of fresh plants through the garden centres. Trained specialists in store offer the latest expert advice on feeding, animal health and equestrian products, with key staff AMTRA qualified to recommend animal health requirements. Countrywide operate a local delivery service and staff are on hand to assist with car loading. We also now offer 24 hour online shopping for customers for added convenience.

For further information on countrywide or to shop online visit:

www.countrywidefarmers.co.uk

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Chairman's Report 2008

Introduction

I am delighted to be able to report to you a record operating profit since the company was formed and acknowledge the great contribution of our executive team and more importantly all our staff during the past year in delivering the record level of trading profits.

The results are especially pleasing after all the hard work completed in the last eighteen months restructuring and improving the businesses and have been achieved against the backdrop of general economic conditions that have deteriorated significantly in the last twelve months and commodity markets in both agriculture and energy that have been highly volatile. The Managing Director's Review details the progress achieved in each of our trading divisions on pages 3 to 5.

Financial Results

I am pleased to report a total group operating profit of £1.8m (2007: £0.3m before exceptional costs). This strong performance has been achieved across all our businesses with a detailed commentary provided in the Managing Director's Review. Interest costs of £0.7m excluding FRS 17 finance income (2007: £1.1m) reflect the lower levels of borrowings particularly during the first half of the year. The Group reports a profit before taxation for the year of £1.4m (2007: £4.3m). The 2007 results included the benefit of the net profit on disposal of fixed assets of £6.0m, principally the Evesham site, partly offset by exceptional costs of £0.9m.

The sustained increase in commodity prices during 2008 has led to higher levels of both trade debtors and stocks particularly in the second half of the year, and maximum efforts have been applied to manage the impact on business working capital. I am delighted to report net debt at 31 May 2008 of £12.0m which is below last year. Gearing at 31 May 2008 remains at 40% of shareholder funds (2007: 40%).

Strategy

During the year the Board approved a three year strategy intended to deliver a sustained improvement in the performance of the company to the benefit of all our stakeholders. Our vision is for Countrywide to be the leading business in the supply of products and advice to the rural community, by offering quality and value for money, supported by expert knowledge and a personal service.

Our retail business aims to continue to expand through opening new stores and improving all aspects of customer service. On the product side, new ranges are planned to continue to improve margins. Our Energy business looks to grow through a combination of organic growth and growth by acquisition in particular extending its current trading area. In Agriculture we continue to enhance customer service with improvements in the technical skills of our sales force to ensure we develop our business to meet changing customer needs. Looking across all three businesses, we are targeting opportunities to sell our full range of products to our existing customers as well as expanding the current customer base.

We aim to offer maximum flexibility to our customers whether they prefer to buy in person, by telephone or via the internet. Finally the continued development, training and motivation of our staff are paramount in delivering this strategy. I am delighted that many important elements of this plan are already being implemented and further details are provided in the Managing Director's Review.

Long Term Incentive Plan for Key Executives

The Board approved the recommendation of the Remuneration Committee to adopt a Long Term Incentive Plan (LTIP) on 29 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. Full details of the scheme are provided in Note 24 .The LTIP awards will only be released in full or in part, in three years' time, on the satisfaction of challenging profit and cash targets for the business based on the three year strategic plan. The Board firmly believes that the introduction of the LTIP will help retain and motivate the executive directors and key senior management to deliver the recently approved three year strategic plan.

Chairman's Report 2008 *(Continued)*

People

We announced at this time last year the impending retirement of John Pugh, my predecessor as Chairman. I would like to take this opportunity to thank John Pugh for the three years he served as Chairman and his many years service before that as a Director of the company and its predecessors. Under his Chairmanship, important foundations were laid that have contributed to the improved performance I am reporting to you today.

I would also like to thank Richard Beldam, who retired as non executive director during the year, for his considerable contribution to the business.

I would like to welcome Stuart Crebo to the Board, following his appointment as a non executive director on 1 July 2008. Stuart's experience strengthens and supports the Board including the important areas of corporate finance and banking. He will be standing for re-election at the Annual General Meeting on 25 September 2008 along with Sir Ben Gill and myself.

Future Prospects

Trading conditions in all of our markets are expected to be challenging in the next financial year and our plans anticipate this. The company will continue to focus on delivery of all aspects of its three year strategy which aims to continue to improve shareholder returns in the coming years through a combination of internal growth and improvement together with growth through acquisition. We have a strong balance sheet, and our improved trading performance means we are well placed to capitalise on any suitable opportunities that may arise where we can improve returns in the longer term.

Nigel Hall
Chairman
28 August 2008

Managing Director's Review

Review of Operations

The last twelve months has proved a major turning point for the business, and we have enjoyed our most successful trading year since the company was formed. Most importantly the strong performance has been achieved consistently across all our businesses and at a time when market conditions have been highly volatile and increasingly challenging. This has required strong and decisive management to deliver these record results and is testament to the quality and motivation of our employees.

As reported in our Interim Report and Accounts, we acquired the 50% interest ESSO owned in our LP Gas joint venture for £1.975m in December 2007. The acquisition represents a major transaction for the company and has been earnings enhancing in the first year. It provides an excellent return on investment and, as the operator of the business for the last fifteen years, we are uniquely placed to understand the opportunities it presents to develop our LP Gas activities.

Just after the end of the financial year, we completed the purchase of Cotswold Fuels, an eight million litre fuel distributor based at Moreton-in-Marsh in the Cotswolds. This acquisition is the first stage in our strategic plan to significantly increase sales in this core product area. We will continue to operate the half a million litre storage capacity from the Cotswold Fuels plant to service customers.

This time last year I reported on a number of actions taken to reorganise and restructure our Agriculture business. I am pleased to report that these measures, individually and collectively, have helped the business report a significant improvement in profitability.

Our retail business continues to be successfully developed under the new management team established in the last twelve months. Our retail strategy specifically targets expanding the geographical coverage of the business and we have opened a further five new stores during the year. We have also grown like for like sales by 11% last year and this has been achieved against the backdrop of a marked deterioration in general business confidence and increased economic uncertainty.

Sales, including our share of the joint venture, increased by 18% to £190.7m (2007: £162.0m) and generated a total group operating profit of £1.8m (2007: £0.3m before exceptional costs). Interest costs of £0.7m excluding FRS17 finance income (2007: £1.1m) reflect the lower levels of borrowings particularly during the first half of the year. The Group reported a profit before taxation for the year of £1.4m (2007: £4.3m). In 2008 there have been no material fixed asset disposals or exceptional costs. In 2007, net profit on the disposal of fixed assets (£6.0m) were partly offset by exceptional costs (£0.9m).

Agriculture

Changes announced twelve months ago completed the refocus of our Agriculture business on the formulation, buying, selling and marketing of our comprehensive range of Countrywide branded products. The bag feed distribution fleet and drivers together with the warehouse staff from our old feed mill in Melksham transferred to Radstock. The customer service team also moved to Radstock with the remaining transport team and other back of house staff relocating to the Countrywide offices at Defford in Worcestershire. We formed a strategic partnership with Masstock to process and supply cereal and pulse seed which resulted in the closure of the seed production plant at Defford. Finally, we ceased production at our Franklands coarse mix and blending operation at Carmarthen in Wales and are now purchasing these products from other manufacturers.

I am therefore delighted to report our Agriculture business reported operating profits of £0.6m (2007: £0.5m operating loss) before corporate costs.

Total Agricultural sales increased by 11% to £79.3m (2007: £71.7m) driven partly by rising feed and fertiliser prices and continued growth in blends and straights sales.

Total feed sales increased 15% to £54.9m (2007: £47.6m), with continued strong growth from our alternative feed business selling blends and straights. The trend of extra milk being produced from alternative feed continues. Our established policy of buying compound feed ingredients early placed us in a good position to offer competitive feed contracts to our customers. Feed margins improved on a per ton basis reflecting the proactive management of this raw material book. After all on costs including transport, sterling margins were £0.7m up on last year.

Total arable sales of £24.3m (2007: £23.4m) improved with an increase in fertilizer and crop protection sales. Seed sales were well behind last year with the focus on direct to farm sales following the closure of our Defford seed plant. Margins here are stronger and associated expenses are now significantly lower. Overall the contribution from our seed business improved significantly year on year. Turf and amenity continued to improve their market share with sales of £1.4m (2007: £1.0m) and higher profits.

Managing Director's Review *(Continued)*

The performance of our Agricultural business was exceptional last year and while the reorganisations announced at the end of last year helped refocus the business, it is the dedication and commitment of the whole Agriculture team led by its General Manager, Alistair Folly that produced this excellent result.

Retail

Retail is the most profitable business within the group. Operating profits, before corporate costs, increased to £2.3m (2007: £2.0m), and on a like for like basis, excluding new and closed stores, operating profits before corporate costs increased by £0.5m (25%) to £2.5m (2007: £2.0m) after absorbing some increased costs, upgrading the store environment and a number of staff training initiatives.

Sales increased by 12% to over £65m and 'like-for-like" sales increased by 11%. This exceptionally strong performance contrasts with the very weak sales reported recently by many high street retailers. The business continues to be successfully developed under the new management team led by General Manager, Garry Wharmby, and further opportunities to improve all aspects of retail operations and customer service are being explored and implemented. These changes will provide the platform for continued growth and improvement in returns in a business that appears to be more resistant to the general retail downturn.

A key part of this programme is the opening of new stores. I am therefore delighted to report five store openings in the year with a further opening shortly after the year end which increases our store numbers to forty five. We have also introduced an external customer service benchmarking initiative to improve the all round service experience for customers.

During the last twelve months we have successfully relaunched our garden centres in fifteen stores and were delighted with the Gold Medal award we received for the best trade stand at the nationally acclaimed Spring Garden show in Malvern. We have also introduced a range of locally sourced food in eight stores, specifically supporting local producers, with more planned in the coming financial year. Finally we are nearing completion of a major programme of animal health training for our store staff to significantly improve customer advice in this important area of our business.

Retail gross margins continued to improve, leveraging the benefits from increased scale and improvements in the retail supply chain. We continue to develop the quality and flexibility of our supply chain, to ensure that gross margins can be improved and that we can cope with our store expansion plans over the medium term. With this in mind we are in the process of doubling the capacity of our central distribution storage facilities at Defford.

Energy

In 2008, turnover (including the joint venture interest acquired during the year) increased some 58%. On a like for like basis (excluding the former joint venture) this sales growth was 32% driven by product price inflation and volume growth in both fuels and LP Gas despite another relatively warm winter. Fuel volumes were 21% ahead of last year with a major drive on telemarketing to expand the customer base and the commissioning of our new Fuel depot at Weston-Super-Mare which opened in the second half of the year. LP Gas volumes were 11% ahead of last year. While volumes were strong, margins, despite being in line with our expectations, fell slightly compared to last year. An operating profit of £1.2m before corporate costs was recorded, including the total contribution from the former joint venture of £0.8m.(2007: £0.7m including the joint venture interest of £0.4m). Another good result from David Asquith – General Manager Energy and his team. In March 2008 the company was delighted that David was appointed Chairman of the UK LPG Association in recognition of his high standing in the industry.

During the year we made the decision to transfer our supply of domestic utilities to Good Energy. Good Energy are an award winning supplier to many thousands of homes and businesses of electricity that is generated exclusively from 100% renewable resources. The transfer of our electricity customers took place in June 2008 and domestic gas customers are due to be transferred shortly. This change will have no material impact on the results of our Energy business and enable greater focus on growing our core products of fuel and LP Gas.

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. Corporate net operating assets recorded at £2m at 31 May 2008 comprise land and buildings which are used by all our three businesses at Defford, and land at Melksham, which has been identified as surplus to our operating requirements. As reported last year, we exchanged contracts with a major supermarket group for the sale of part of the land at Melksham subject to planning. A planning application has now been submitted and discussions are continuing with the local planners and interested parties. Good progress is being made however we expect it may take at least eighteen months to conclude the process.

Managing Director's Review *(Continued)*

A special thank you is reserved for all our employees, these results could not have been achieved without their passion and commitment to the business. A key element of our success has been the strengthening of the senior team in key areas of the business coupled with an extensive training programme aligned to our objectives. Last year over 60% of our staff were involved in some form of personal development training, we will continue to invest significant time and money in our teams to ensure they deliver the best service and advice to all our customers. Many of our employees have been recognised for their exceptional contribution throughout the year with internal customer service and performance awards. Countrywide employees have also been recognised at many key industry awards ceremonies.

Health and Safety of our customers and staff is receiving increasing focus and attention, and it is pleasing to see a reduction in the number of reportable accidents for the year.

Outlook

The news is dominated by worsening economic conditions in many sectors of the UK economy. Our performance in 2008 and the first three months of the 2009 financial year remains strong and we firmly believe we can continue to expand our business through a combination of organic growth and growth through acquisition if and when suitable opportunities arise.

We are seeking further opportunities to expand the retail store portfolio in 2009 adding to the new store at Waterlooville which opened in July 2008. The retail business model we have is unique to Countrywide and differentiates us in the rural market place. Building on the local tradition and heritage of the Countrywide brand, we continue to consolidate our coverage in our core trading area and most importantly expand our brand into adjoining areas. We also have an exciting refurbishment programme upgrading and improving our existing retail stores over the next three years. After a year of such very strong sales growth, our sales expectations for the coming year are more conservative. We confidently expect however, for all the improvements made in the business in the last twelve months to continue to drive the business forward in 2009.

Our Energy business remains focused on growing its customer base in both fuels and LP Gas. Further capital has already been invested in the new financial year growing our fuels business and we will monitor any further opportunities to continue this expansion in 2009. Renewable energy is an evolving and exciting new market for both businesses and consumers. With our range of business across agriculture, energy and retail we are uniquely placed to exploit this market. We have launched a fully operational biomass wood pellet boiler, which we expect to become more of a commercially viable option for customers as the price of traditional heating continues to be higher than historical averages.

We expect market conditions to remain challenging in our Agriculture business in 2009. Commodity prices remain volatile but the overall trend of higher costs inevitably means prices to our customers have had to be increased significantly to reflect these market conditions. We continue our policy of buying compound feed ingredients up to twelve months ahead which provides some hedge against further commodity price increases. The high price of compounds is likely to reduce demand as producers feed less or switch to cheaper sources of feed. Milk prices need to continue to increase to recover the escalating costs of production. While this pressure is being felt by everyone in the Agricultural supply industry, it will increase competition for customers and means we will do well to match our very strong performance in 2008.

We continue to invest in our field sales force and develop specifically our crop specialist teams to ensure we can meet future customer needs. We are growing our direct sales team introducing new products and expanding into new geographical areas and the business has recently relocated into new larger offices at Amesbury in Wiltshire. We continue to aim to add value to all our farming customers.

There will be further investment in extending our e-commerce business. Our transactional website launched in 2006 is growing steadily and new ranges of products are being added on a regular basis, further exciting developments to its functionality will be launched later this year. We have partnered during the year with Horse and Country TV (Sky Channel 280) with a balance of programming and sponsorship to further promote the Countrywide brand to a wider audience. We also continue to invest in staff and call centre technology to grow our direct selling capability in our energy and agriculture businesses. Finally we have relaunched Countytalk, our quarterly newsletter, to improve the quality and flow of information to all our stakeholders.

After our record results in 2008 we are well placed to continue to improve our performance again in 2009. While recognising the current challenging economic conditions, we are confident we are pursuing the right strategy for the future growth and long term prosperity of the business.

John Hardman
Managing Director
28 August 2008

Finance Review

Balance sheet and Cash flow

The Company acquired for £1.975m, the 50% interest ESSO owned in our LP Gas joint venture in December 2007. Full details of the acquisition are included in Note 28 to these accounts and the assets acquired and the results of the business are fully consolidated in the financial statements. The acquisition resulted in the creation of negative goodwill totalling £1.059m which is amortised over its estimated useful life.

Other fixed asset additions in the year were split predominately between our retail and energy businesses. In retail, we opened five new stores in the year at a total cost of £1.5m. In our Energy business we opened a fuel depot at Weston-super-mare and continued our ongoing investment in customer tanks and cylinders to support our growth aspirations.

The rapid and sustained increase in commodity prices in 2008 has had a significant impact on the financial levels of stock, trade debtors and trade creditors across all our businesses.

Stocks at the end of the year at £15.5m were £3.8m (32%) up on the levels at last year end. Commodity price inflation has generally increased ongoing stock values for all feed and fuel related categories. The five new retail stores specifically account for £0.7m of the increase and the relaunch of our garden centres represents a further £0.7m. We have also invested more stock in our key product areas to improve stock availability in store which has helped drive the strong sales performance achieved in the year.

Debtors at £27.3m were £5.0m (23%) up on a last year figure which included a £4.4m accrued capital receipt for the Evesham property disposal. Trade debtors at £23.5m are £9.1m (63%) up on last year and reflect the significant price inflation in nearly all outputs in our Agriculture and Energy businesses. We continue to minimise levels of over 90 day past due debts and I am delighted to report these have fallen to 3.5% of the total trade debt at 31 May 2008 (2007: 6.4%).
Trade creditors at £25.3m were £8.0m (47%) up on last year again reflecting the significant commodity price inflation. Creditor days fell to 44 days (2007: 46 days).

The group had a net cash inflow from operating activities of £3m (2007: inflow £4.5m) and it is pleasing to note despite the pressure current market conditions are placing on our working capital, net debt remains below last year at £12.0m (2007: £12.2m). Gearing at 31 May 2008 remains at 40% of shareholder funds (2007: 40%) Shareholders' funds amount to £29.9m, a fall of £0.4m in the year. This is the equivalent of £0.91 per share (2007: £0.92 per share).

Pensions and Tax

We continue to operate a defined contribution pension scheme for our employees. The charge to the profit and loss account for this scheme was £0.2m (2007: £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 £1m (2007: £0.9m). A formal valuation of the closed defined benefit scheme at 5 April 2006 was completed in 2007. The company reviewed this valuation with the trustees and agreed to increase its contribution to an average of £1.1m pa over the three years from 1 October 2007. The company has also been working with the trustees in 2008 to provide further security to the scheme without damaging the long term growth prospects of the business. The next formal valuation is due to be completed as at 5 April 2009.

The valuation of the scheme under FRS 17 at 31 May 2008 gave rise to an increase in the pension deficit of £1.3m to £7.7m (2007: £6.4m) or £5.5m (2007: £4.5m) after deferred tax.

The company has the benefit of significant brought forward trading tax losses, and in accordance with FRS 19 "Deferred Tax", a deferred tax asset has been recognised equivalent to the losses that are prudently expected to be utilised. Consequently a deferred tax asset of £0.7m (2007: £0.5m) has been recognised at the 31 May 2008 in respect of these losses. Further details are included in Note 17 including the remaining deferred tax asset not recognised.

Finance Review *(Continued)*

Internal Reorganisations and Distributable reserves

The Company acquired the business and assets of two of its wholly owned subsidiaries, WMF Limited and Midland Shires Farmers Limited, back in 2007. The final part of the reorganisation is the liquidation of these now dormant companies and this process commenced in April 2008. It is due to be finalised over the coming months, and has no impact on the Company's day-to-day trading activities.

Following the acquisition of the 50% interest ESSO owned in our LP Gas joint venture, in order to expand the company's energy business the company subsequently entered into an agreement with Countrywide LP Gas Limited, its wholly owned subsidiary, on 31 May 2008 to acquire the remainder of the business and assets of the LP Gas joint venture. The aim of the reorganisation is to enable the business of the former joint venture to be carried out exclusively by the Company to simplify ongoing administration and accounting.

Distributable reserves for the group, started the year at £6.6m in credit and moved to a debit of £1.1m with the transfer of the previous merger reserve of £7.3m following the commencement of the liquidation of the now dormant companies, WMF Limited and Midland Shires Farmers Limited. Distributable reserves for the company are now much more closely aligned to those of the group reflecting all the internal reorganisations and hive ups successfully completed in the last 18 months.

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 in accordance with a formal policy approved by the Board intended to manage the impact of price movements on its gross margin. The Directors estimate the value of open contracts at 31 May 2008 to be £14.8m (2007: £8.9m)

The Energy 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. In addition, the Fuels business maintains credit insurance in order to manage the potential financial loss incurred on certain bad debts.

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 14 to these accounts including the interest rates that apply to the different liabilities. The Group has entered into an interest swap transaction to fix the interest on part of the Group's borrowings which is also described in this note.

Les Collins
Finance Director
28 August 2008

Directors' Profiles

NIGEL HALL (Chairman) Age 53

Qualified as a Chartered Accountant in 1980 with Price Waterhouse before joining the Burton Group plc (subsequently Arcadia Group plc) in 1984. Was Group Finance Director from 1997 until 2003.
Serves as Non-Executive Director of Unite Group plc, where he is the Senior Independent Non-Executive Director, C&J Clark Limited and Pinewood Shepperton plc. Owns a small farm in mid-Devon near Tiverton.
Provides finance, retail and property experience to the Board and succeeded John Pugh as Chairman in October 2007.

TIM HOLDERNESS-RODDAM (Deputy Chairman) Age 65

Joined the Board in 2001, Deputy Chairman since 2004. Former Managing Director of United Molasses Group and Director of Abercrombie & Kent Limited.
Trustee of Countrywide Farmers Retirement Benefits Scheme and Chairman of the Audit Committee.
Arable Farmer and equine stud owner.

JOHN HARDMAN (Managing Director) Age 46

Joined West of England Farmers in 1985 and subsequently became Agri Director of WMF Limited in 1997. Holds a degree in Agriculture and an MBA.
Following the formation of Countrywide Farmers in 1999 became Director of Agri Sales before becoming Deputy Managing Director in 2003 and Managing Director in June 2004.
Serves as Trustee of both of the Company's pension schemes.

LES COLLINS (Finance Director & Company Secretary) Age 47

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 for six years, between 2000 and 2006 and joined Countrywide Farmers in November 2006.

SIR BEN GILL Age 58

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 and an associate Director of PR Consultancy Sovereign Strategy.
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 57

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.
Chairman of the Remuneration Committee.

STUART CREBO Age 54

Has held a number of senior positions in Corporate Banking, both in the UK and USA. Since 1996 has been Director of Ernst & Young specialising in advising on corporate finance mergers and acquisitions as well as assisting small and medium sized enterprises develop their commercial strategy and generate value for shareholders. Joined Countrywide Farmers in July 2008.

Registered Office and Advisers

Registered Number	3776711
Registered Office	Defford Earls Croome Worcester WR8 9DF
Independent Auditors	PricewaterhouseCoopers LLP 31 Great George Street Bristol BS1 5QD
Bankers	Barclays Bank PLC Park House Newbrick Road Stoke Gifford Bristol BS34 8TN
Solicitors	Bond Pearce LLP 3 Temple Quay Temple Back East Bristol BS1 6DZ

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 31 May 2008.

Countrywide Farmers plc is not listed on a recognised investment exchange, however, shares may be traded on ShareMark. For further information, please contact: ShareMark Ltd, PO Box 2000, Bucks, HP21 8ZB. Telephone 01296 414245. www.sharemark.co.uk

Principal Activities

The principal activities of the Group during the year are the supply of animal feeds, seeds, fertilisers and agrochemicals, the marketing of fuel, natural gas, liquid petroleum gas, utilities and the sale of a range of farm sundries and retail products to the rural community.

Results and Dividends

The Profit and Loss Account for the year is set out on page 16. The Directors recommend that no dividend be paid (2007: £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 2008 the average payment period was 44 days (2007:46 days).

Financial Instruments

As part of its overall financing strategy, the Group has entered into an interest swap transaction to fix the interest rate on part of the Group's borrowings. This transaction is described in note 14 to the financial statements. As at 31 May 2008, the market value of this swap was £3,346 (loss) (2007: £53,015 profit)

Business Review and Future Developments

The review of operations of the Group is covered in the attached Managing Director's Review.

Directors and Directors' Interests

The Directors of the Company during the year to 31 May 2008 and their beneficial interests in the share capital of the Company are listed below:

	Shares 2008	Shares 2007
N.P. Hall (Chairman)	136,670	98,037
T.D. Holderness-Roddam (Deputy Chairman)	204,318	145,843
J.H. Hardman (Managing Director)	9,735	9,735
L.J. Collins (Finance Director)	7,200	7,200
Sir Ben Gill	12,180	12,180
N.K.Leece	32,238	26,958
J.W. Pugh (resigned 29.11.07)	N/A	120,313
R.C. Beldam (resigned 27.9.07)	N/A	16,107

S. Crebo was appointed as a director on 1 July 2008.

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 Managing 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.

Environmental Policies

The Board are committed to reducing the group's environmental impact by proactively focusing on the following areas:

- Setting up an organisational structure within the group so that individuals have direct responsibility for reporting and acting on environmental issues.
- Measuring, quantifying and managing the group's carbon footprint from direct emissions covering energy consumption, transport, waste & water whilst having an influence on indirect emissions from subcontractors, product supply chain and operations with the overall aim of carbon reduction.
- Investigating and sourcing a greater number of environmentally friendly products to be sold in store.
- A training programme for staff on energy efficiency that will become embedded in the group's vision and become the normal way of working therefore reducing energy usage in the group's offices and retail stores.
- Actively researching and applying renewable technology to existing, refitted or new retail stores.
- Promoting and growing the renewable energy sector leading by example installing biomass boilers in stores where practical.

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
28 August 2008

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 six non-executive Directors. The roles of the Chairman, who is non-executive and elected by the Board, and the Managing Director, are separated. The Managing Director, 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 Company's expense. They seek to understand the views of shareholders about the Company.

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. Mr Beldam resigned during the year.

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. During the year the Committee developed proposals for the adoption of a Long Term Incentive Plan (LTIP) for a small number of key executives, details of which are provided in note 24.

Audit Committee

The Audit Committee comprises Messrs Holderness-Roddam (Chairman), Leece and Sir Ben Gill. Messrs Hall and Beldam resigned during the year. It 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 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. Mr Pugh resigned during the year. 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. Details of Directors' service contracts are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

Corporate Governance Statement *(Continued)*

Board and Committee Attendance of Directors

	Board	Remuneration Committee	Audit Committee	Nomination Committee
Number of Meetings in year ended 31 May 2008	14	4	3	3
Attendance of Directors:				
J.W. Pugh (resigned 29.11.07)	7			
J.H. Hardman	14			
R.C. Beldam (resigned 27.9.07)	2			
T.D. Holderness-Roddam	14	4	3	3
Sir Ben Gill	12		3	3
N.P. Hall	13	4		3
N.K. Leece	13	4	3	
L.J. Collins	14			

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
28 August 2008

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In addition, they are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that suitable accounting policies have been used and applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2008 and that applicable accounting standards have been followed.

The Directors confirm that proper accounting records have been kept which disclose with reasonable accuracy at any time the financial position of the Company and of the Group, and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors confirm that they have taken reasonable steps to safeguard the assets of the Company and of the Group and to prevent and detect fraud and other irregularities. They also confirm that they have identified, evaluated, and sought to manage the significant risks faced by the Company, and that these are regularly reviewed. An internal audit function is in place and the Board receives regular reports from it.

The maintenance and integrity of the Countrywide Farmers plc website is the responsibility of the Directors. Information published on the internet is accessible in many countries with different legal requirements. 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
28 August 2008

Independent Auditors' Report to the Members of Countrywide Farmers plc

We have audited the group and parent company financial statements (the "financial statements") of Countrywide Farmers plc for the year ended 31 May 2008 which comprise the Consolidated Profit and Loss Account, the Note of Historical cost Profits and Losses, Statement of Total Consolidated Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Report, the Managing Director's Review, the Finance Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 May 2008 and of the group's profit and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
29 August 2008

Consolidated Profit and Loss Account

For the year ended 31 May 2008

	Note	Group 2008 £000s	Before Exceptionals 2007 £000s	Exceptionals 2007 £000s (Note 3)	Group 2007 £000s
Turnover: including share of joint venture	2	190,681	161,988	-	161,988
Less: share of joint venture turnover		(973)	(3,616)	-	(3,616)
Group Turnover		189,708	158,372	-	158,372
Cost of Sales		(155,493)	(129,804)	-	(129,804)
Gross Profit		34,215	28,568	-	28,568
Other operating income		644	309	-	309
Net operating expenses		(33,022)	(29,037)	(855)	(29,892)
Group Operating Profit/(Loss)		1,837	(160)	(855)	(1,015)
Share of operating (Loss)/Profit of joint venture		(53)	440	-	440
Total Operating Profit/(Loss) including Joint Venture	6	1,784	280	(855)	(575)
Non-operating items:					
Profit on disposal of Tangible Fixed Assets	4	-			6,084
Loss on disposal of Tangible Fixed Assets	4	-			(106)
Profit on disposal of Investments		-			2
Profit before interest and taxation		1,784			5,405
Interest receivable	5a	81			285
Interest payable	5a	(743)			(1,361)
Other finance income	5b	302			13
Profit on ordinary activities before taxation		1,424			4,342
Taxation	7	169			(2,196)
Profit after taxation		1,593			2,146
Minority Interests in profit for the year		(30)			(20)
Profit for the year		1,563			2,126

Note of Historical Cost Profits and Losses

For the year ended 31 May 2008

	Group 2008 £000s	Group 2007 £000s
Reported Profit on ordinary activities before taxation	1,424	4,342
Realisation of property revaluation gains of prior years	-	5,429
Historical cost profit on ordinary activities before taxation	1,424	9,771
Historical cost profit for the year after taxation and minority interest	1,563	7,555

Statement of Total Consolidated Recognised Gains and Losses

For the year ended 31 May 2008

	Note	Group 2008 £000s	Group 2007 £000s
Profit for the financial year		1,563	2,126
Actuarial (loss)/gain recognised in the pension scheme	25	(2,576)	8,087
Movement on deferred tax asset relating to pension scheme	17	721	(2,426)
Movement on revaluation reserve	20	-	(411)
Impact of tax rate change recognised in reserves	21	(128)	-
Tax effect of realisation of property revaluation gains	22	-	(1,629)
Total recognised (losses)/gains for the year		(420)	5,747

Consolidated Balance Sheet

At 31 May 2008

	Note	Group 2008 £000s	Group 2007 £000s
Fixed Assets			
Intangible assets			
Goodwill	9	247	361
Negative Goodwill	9	(988)	-
		(741)	361
Tangible assets	10	37,937	32,332
Investments	11	107	107
Investment in Joint Venture:			
Share of Gross Assets		-	5,256
Share of Gross Liabilities		-	(1,551)
		37,303	36,505
Current Assets			
Stock	12	15,539	11,728
Debtors	13	27,342	22,295
Cash at bank and in hand		39	74
		42,920	34,097
Creditors - amounts falling due within one year	14	(39,453)	(29,753)
Net Current Assets		3,467	4,344
Total Assets less Current Liabilities		40,770	40,849
Creditors - amounts falling due after more than one year	15	(4,048)	(4,643)
Provisions for liabilities and charges	16	(1,273)	(1,404)
Net assets excluding Pension Liability		35,449	34,802
Net Pension Liability	25	(5,511)	(4,475)
Net assets		29,938	30,327
Capital and Reserves			
Called up share capital	18	16,413	16,413
Merger reserve	19	-	(7,343)
Revaluation reserve	20	14,536	14,536
Profit and loss account	21	(1,129)	6,634
Equity shareholders' funds	22	29,820	30,240
Equity minority interests	23	118	87
Total equity shareholders' funds		29,938	30,327

The financial statements on pages 16 to 42 were approved by the Board of Directors on 28 August 2008 and were signed on its behalf by:

NP Hall
JH Hardman } Directors

Parent Company Balance Sheet

At 31 May 2008

	Note	2008 £000s	2007 £000s
Fixed Assets			
Intangible assets			
Goodwill	9	156	240
Negative Goodwill	9	(988)	-
		(832)	240
Tangible assets	10	37,905	32,303
Investments	11	347	9,417
Investment in Joint Venture		-	631
		37,420	42,591
Current Assets			
Stock	12	15,373	11,567
Debtors	13	27,363	18,648
Cash at bank and in hand		39	74
		42,775	30,289
Creditors - amounts falling due within one year	14	(40,274)	(39,629)
Net Current Assets/(Liabilities)		2,501	(9,340)
Total Assets less Current Liabilities		39,921	33,251
Creditors - amounts falling due after more than one year	15	(4,041)	(4,643)
Provisions for liabilities and charges	16	(1,273)	(1,310)
Net assets excluding Pension Liability		34,607	27,298
Net Pension Liability	25	(5,511)	(4,475)
Net assets		29,096	22,823
Capital and Reserves			
Called up share capital	18	16,413	16,413
Merger reserve	19	-	(7,343)
Revaluation reserve	20	14,536	14,536
Profit and loss account	21	(1,853)	(783)
Equity shareholders' funds		29,096	22,823

The financial statements on pages 16 to 42 were approved by the Board of Directors on 28 August 2008 and were signed on its behalf by:

NP Hall
JH Hardman } Directors

Consolidated Cash Flow Statement

For the year ended 31 May 2008

	Note	Group 2008 £000s	Group 2007 £000s
Net cash inflow from operating activities	(a)	3,052	4,548
Returns on investments and servicing of finance			
Interest received		91	176
Interest paid		(722)	(1,314)
Interest element of finance lease payments		(30)	(57)
Dividend paid to minority interests		(8)	(9)
		(669)	(1,204)
Taxation			
Corporation tax paid		(2,044)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,692)	(2,162)
Sale of tangible fixed assets		4,507	-
		1,815	5,581
Acquisitions and disposals			
Goodwill purchased		-	(80)
Cost of business acquired		(1,975)	-
Sale of investments		-	12
		(1,975)	(68)
Net cash inflow before use of liquid resources and financing		179	8,857
Financing			
(Decrease) in Members' loans		(1)	(3)
(Decrease) in Members' Retirement Scheme		(37)	(23)
(Decrease) in finance loans		-	(4)
Repayment of loans		(4,100)	(700)
Capital element of finance lease payments		(51)	(316)
Net cash (outflow) from financing		(4,189)	(1,046)
(Decrease)/Increase in cash for the period	(b)	(4,010)	7,811

Consolidated Cash Flow Statement Notes

For year ended 31 May 2008

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

	Group 2008 £000s	Group 2007 £000s
Operating profit/(loss)	1,837	(1,015)
Depreciation charge	3,182	4,879
Net Goodwill amortisation	43	126
Profit on disposal of fixed assets	(32)	-
Pension past service credit	-	(1,871)
(Increase)/Decrease in stock	(3,678)	242
(Increase)/Decrease in debtors	(7,334)	4,041
Increase/(Decrease) in creditors	10,044	(910)
Excess of pension contributions over charge	(1,010)	(944)
Net cash inflow from operating activities	3,052	4,548

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

	Group 2008 £000s	Group 2007 £000s
(Decrease)/Increase in cash in hand	(35)	74
(Increase)/Decrease in net overdraft	(3,975)	7,737
Decrease in loans	4,100	700
Decrease in Members' loans	1	3
Decrease in lease financing	51	316
Decrease in Members' Retirement Scheme	37	23
Decrease in finance loans	-	4
Movement in net debt for the year	179	8,857
Opening net debt	(12,197)	(21,054)
Closing net debt	(12,018)	(12,197)

(c) Analysis of Net Debt

Group	At 1 June 2007 £000s	Cash Flow £000s	At 31 May 2008 £000s
Cash in hand	74	(35)	39
Due within one year:			
Cash in hand and at bank, advances and overdrafts	(1,860)	(3,975)	(5,835)
Bank loans	(4,100)	3,400	(700)
Members' loans	(92)	1	(91)
Finance leases	(266)	156	(110)
Due after one year:			
Bank loans	(4,550)	700	(3,850)
Members' Retirement Scheme	(1,310)	37	(1,273)
Finance leases	(93)	(105)	(198)
	(12,197)	179	(12,018)

Notes to the Financial Statements

For the year ended 31 May 2008

1) ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost accounting rules, as adjusted for the revaluation of properties. A summary of the more important accounting policies is set out below.

Basis of consolidation

The financial statements of the Group represent the consolidation of Countrywide Farmers plc and its subsidiary undertakings. All material inter-company transactions and balances are eliminated. In the case of acquisitions and disposals of businesses, the results of trading are consolidated from or to the date upon which control passes.

Joint Ventures

Group interests in Joint Ventures are shown on the face of the profit and loss account and balance sheet in accordance with FRS 9 'Associates and Joint Ventures' and are consolidated on the gross equity basis.

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.

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 the intangible assets on the balance sheet, and written off through the profit and loss account over its estimated economic life.

Tangible fixed assets

Tangible fixed assets other than land and buildings are stated at cost less depreciation and provision for any impairment. Land and buildings are shown at an independent valuation on an existing use basis for non specialised properties and at open market value where properties are surplus to requirements. The valuations are performed by a qualified external valuer every five years and updated every three years after the original valuation. Valuations are also updated in the intervening years if there are material changes in value. All other plant and equipment is stated at historical cost less depreciation.
Depreciation is provided to write off the cost or valuation, less estimated residual values of all tangible assets, (except for freehold land) evenly over their expected economic lives. The principal periods and annual rates used for this purpose are as follows:-

Freehold buildings	2.5% p.a. straight line
Leasehold property	2.5% - 10% p.a. straight line
Plant and machinery	5% - 33.3% p.a. straight line
Vehicles	20% - 25% p.a. straight line

Impairment of fixed assets

Fixed assets are reviewed to determine whether their value appears to be impaired. Where a fixed asset held at historical cost has been impaired, the impairment is charged to the profit and loss account and the asset is carried at its recoverable amount. Where impairment losses are recognised on revalued assets and the loss is not caused by a consumption of the economic benefits of the asset, they are charged to the statement of recognised gains and losses.

Stock

Stock and work in progress are stated at the lower of cost and net realisable value.

Taxation

Corporation tax is charged at current rates on profits arising in the year.

Deferred taxation

Full provision has been made for deferred tax on tax assets and liabilities arising on timing differences, except for a deferred tax asset on trading losses which has been recognised only to the extent that it is considered more likely than not that there will be future profits from which future reversal of the underlying timing differences can be deducted.
Provision is made for deferred tax liabilities, using the liability method, on all material timing differences. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.

Derivative financial instruments

The group has in place an interest rate swap, the details of which are fully disclosed in note 14. 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. The assets are included in fixed assets and the capital element of the leasing commitments is shown as 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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2008

Pension scheme arrangements

The Group operates two pension schemes, a defined contribution and a hybrid scheme containing both deferred benefit and defined contribution sections. All schemes are funded with the assets being held by the Trustees separately from the assets of the Group. In respect of the defined benefit section of the hybrid scheme, the fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The assets of the defined section of the hybrid scheme are measured using closing market rates. Pension scheme liabilities are measured using the Defined Accrued Benefits method and discounted at the current rate of return on high quality corporate bonds of equivalent terms. The increase in the present value of the liability of the scheme expected to arise from employee service during the period is charged to operating profit. The expected return on scheme assets and the increase during the period in the present value of the schemes liabilities, arising from the passage of time, are included as an interest expense. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. In respect of the defined contribution scheme and the defined contribution section of the hybrid scheme, the amount charged to the profit and loss account represents contributions payable to the independent investment managers, who operate the schemes, in funds separate from those of the Group. The Group provides no other post retirement benefits to its employees.

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2008

2) SEGMENTAL REPORTING

	Turnover 2008 £000s	Operating Profit/(Loss) 2008 £000s	Net Operating Assets 2008 £000s
Continuing operations			
Agriculture	79,313	596	5,825
Retail	65,044	2,323	26,392
Energy	45,351	1,192	11,170
Corporate	-	(2,274)	1,956
Group	189,708	1,837	45,343
Energy Joint Venture activity	973	(53)	-
Group Total	190,681	1,784	45,343

Reconciliation of Net Operating Assets to the Balance Sheet	£000s
Net Operating Assets	45,343
Less Bank Advance and Loans	(10,346)
Less Corporation and Deferred tax	452
Less Net Pension Liability	(5,511)
Net Assets as at 31 May 2008	29,938

	Turnover 2007 £000s	Operating Profit/(Loss) 2007 £000s	Net Operating Assets 2007 £000s
Continuing operations			
Agriculture	71,701	(467)	5,691
Retail	58,053	1,985	27,210
Energy	28,618	291	3,526
Corporate	-	(1,969)	6,992
	158,372	(160)	43,419
Exceptional costs (note 3)	-	(855)	-
Group	158,372	(1,015)	43,419
Energy Joint Venture activity	3,616	440	2,071
Group Total	161,988	(575)	45,490

Reconciliation of Net Operating Assets to the Balance Sheet	£000s
Net Operating Assets	45,490
Less Bank Advance and Loans	(8,686)
Less Corporation and Deferred tax	(2,002)
Less Net Pension Liability	(4,475)
Net Assets as at 31 May 2007	30,327

The Group operates and trades only in the United Kingdom.

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

3) EXCEPTIONAL COSTS

The principal components of the exceptional costs in the prior year included business re-organisation costs and the pension credit.

	Group 2008 £000s	Group 2007 £000s
Redundancy and other personnel related costs	-	345
Accelerated depreciation of fixed assets	-	2,131
Past service pension credit	-	(1,871)
Other	-	250
	-	855

4) NET PROFIT ON SALE OF TANGIBLE FIXED ASSETS

In the prior year, the profit on disposal of fixed assets arose from the disposal of properties that were surplus to the Group's operational requirements.

5a) INTEREST

	Group Total 2008 £000s	Group Total 2007 £000s
Interest Receivable		
Interest receivable on bank deposit	35	176
Joint Venture interest receivable	46	109
	81	285
Interest Payable		
Interest payable on bank loans and overdrafts	502	918
Interest on invoice discounting finance	205	367
Interest on other loans	4	10
Interest payable on finance leases	30	57
Interest payable other than Joint Venture	741	1,352
Joint Venture interest payable	2	9
	743	1,361

5b) OTHER FINANCE INCOME

	Group Total 2008 £000s	Group Total 2007 £000s
Other finance income - pension scheme (Note 25)	302	13

6) TOTAL OPERATING PROFIT

	Group Total 2008 £000s	Group Total 2007 £000s
Total Operating Profit is stated after charging:		
Staff costs (note 24)	15,488	13,850
Depreciation		
Tangible owned fixed assets	3,099	4,841
Tangible fixed assets held under finance leases	83	38
Within joint venture	22	351
Goodwill amortisation	114	126
Negative goodwill amortisation	(71)	-
Operating lease charges		
Plant and machinery	901	949
Other	1,653	2,210
Auditors' remuneration in respect of:		
Audit of the parent company and consolidated financial statements	51	51
Other services:		
Subsidiary company audit services	9	13
Tax advisory services	91	110
Interim review	18	25
Other	20	15

7) TAX ON PROFIT ON ORDINARY ACTIVITIES

	Group Total 2008 £000s	Group Total 2007 £000s
Current tax		
United Kingdom corporation tax at 29.7% (2007: 30%)	961	163
Overprovision in respect of previous year:		
Group	(324)	(7)
Current tax charge	637	156
Deferred tax: Group (note 17)		
Current year	(845)	1,930
Effect of decrease in tax rate	39	-
	(806)	1,930
Joint Venture	-	110
Tax on profit on ordinary activities	(169)	2,196

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Group Total 2008 £000s	Group Total 2007 £000s
Profit on ordinary activities before tax	1,424	4,342
Profit on ordinary activities at the standard rate in the UK 29.7% (2007: 30%)	423	1,303
Effects of:		
Expenses not deductible for tax purposes	298	1,010
Capital allowances for year in excess of depreciation	(359)	(325)
Other timing differences	(298)	(925)
Differences between book gains and taxable gains	907	(894)
Tax of group company at marginal rates	(10)	(6)
Adjustments to tax charge in respect of previous year	(324)	(7)
Current tax charge for the year	637	156

8) PROFITS OF HOLDING COMPANY

The Parent Company has not presented its own profit and loss account as permitted by Section 230 (1), of the Companies Act 1985.
The amount of profit for the year attributable to the Company is £8,256,000 (2007: £35,822,000).

This profit arises due to a group reorganisation that has taken place during the year whereby the assets of the subsidiary company LPGas Limited have been distributed to the parent company.

In the prior year, the profit arose due to a group reorganisation whereby the assets of two subsidiary companies Midland Shires Farmers Limited and WMF Limited were distributed to the parent company.

9) INTANGIBLE FIXED ASSETS

Goodwill

	Group £000s	Company £000s
Cost		
At 1 June 2007 and 31 May 2008	927	776
Amortisation		
At 1 June 2007	566	536
Charge for the year	114	84
At 31 May 2008	680	620
Net book value at 31 May 2008	247	156
Net book value at 31 May 2007	361	240

Goodwill that arose on the acquisitions of businesses is being amortised on a straight line basis over period of 5 years. This is the period over 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 2007	-	-
Additions	(1,059)	(1,059)
At 31 May 2008	(1,059)	(1,059)
Amortisation		
At 1 June 2007	-	-
Credit for the year	71	71
At 31 May 2008	71	71
Net book value at 31 May 2008	(988)	(988)
Net book value at 31 May 2007	-	-

Negative goodwill was generated during the year on the acquisition of 50% of the Joint Venture operated by Countrywide LP Gas Limited which was previously held by ESSO. See note 28. This negative goodwill is being written back on a straight line basis over a period of 10 years.

10) TANGIBLE FIXED ASSETS

Group	Freehold Land and Buildings £000s	Leasehold Property £000s	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost					
At 1 June 2007	30,150	1,683	15,805	1,647	49,285
Additions	132	-	2,454	106	2,692
On acquisition	-	-	6,343	484	6,827
Disposals	-	-	(507)	(53)	(560)
Transfers in from Joint Venture	-	157	6,382	635	7,174
At 31 May 2008	30,282	1,840	30,477	2,819	65,418
Depreciation					
At 1 June 2007	6,530	653	8,644	1,126	16,953
Charge for the year	570	152	2,238	222	3,182
On acquisition	-	-	3,433	360	3,793
Disposals	-	-	(410)	(67)	(477)
Transfers in from Joint Venture	-	69	3,672	289	4,030
At 31 May 2008	7,100	874	17,577	1,930	27,481
Net book value at 31 May 2008	23,182	966	12,900	889	37,937
Net book value at 31 May 2007	23,620	1,030	7,161	521	32,332

Assets with a net book value of £3,034,000 are included in the above on the acquisition of the remaining 50% of the Joint Venture from ESSO. In addition, on 31 May 2008 the assets representing the groups original 50% share in the joint venture were hived up into the group'.

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

	2008 £000s	2007 £000s
Net book value at 31 May	307	217

Analysis of Land and Buildings

	Group 2008 £000s	Group 2007 £000s	Company 2008 £000s	Company 2007 £000s
Analysis of land and buildings at cost or valuation				
At cost	8,646	9,084	8,646	9,084
At valuation	14,536	14,536	14,536	14,536
	23,182	23,620	23,182	23,620

The Group's freehold properties were revalued at 31 May 2007 on the basis of existing use value by independent qualified valuers. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom by DTZ Debenham Tie Leung, a firm of independent Chartered Surveyors.

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the Balance Sheet date, a binding commitment to sell the asset has been entered into and it is likely that any gain will be rolled over.

If the revalued assets were stated on the historical cost basis then the amounts would be:

	Group 2008 £000s	Group 2007 £000s	Company 2008 £000s	Company 2007 £000s
Freehold and long leasehold land and buildings				
At cost	15,746	15,614	15,746	15,614
Aggregate depreciation	(7,100)	(6,530)	(7,100)	(6,530)
	8,646	9,084	8,646	9,084

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2008

Company	Land and Buildings £000s	Leasehold Property £000s	Plant and Machinery £000s	Vehicles £000s	Total £000s
Cost					
At 1 June 2007	30,151	1,683	15,927	1,445	49,206
Additions	132	-	2,454	90	2,676
On acquisition	-	-	6,343	484	6,827
Disposals	-	-	(507)	(38)	(545)
Transfers in from Joint Venture	-	157	6,382	635	7,174
At 31 May 2008	30,283	1,840	30,599	2,616	65,338
Depreciation					
At 1 June 2007	6,531	653	8,609	1,110	16,903
Charge for the year	570	152	2,233	219	3,174
On acquisition	-	-	3,433	360	3,793
Disposals	-	-	(410)	(57)	(467)
Transfers in from Joint Venture	-	69	3,672	289	4,030
At 31 May 2008	7,101	874	17,537	1,921	27,433
Net book value at 31 May 2008	23,182	966	13,062	695	37,905
Net book value at 31 May 2007	23,620	1,030	7,318	335	32,303

Assets with a net book value of £3,034,000 are included in the above on the acquisition of the remaining 50% of the Joint Venture from ESSO. In addition, on 31 May 2008 the assets representing the groups original 50% share in the joint venture were hived up into the group'.

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

	2008 £000s	2007 £000s
Net book value at 31 May	291	217

11) FIXED ASSET INVESTMENTS

Group	Own shares £000s	Other investments £000s	Total £000s
Cost at 1 June 2007 and 31 May 2008	51	56	107

Company	Investments in subsidiary companies £000s	Own shares £000s	Other investments £000s	Total £000s
Cost at 1 June 2007	9,310	51	56	9,417
Disposals	(9,070)	-	-	(9,070)
At 31 May 2008	240	51	56	347

Own shares

At 31 May 2007, 247,665 ordinary shares of 50p each in Countrywide Farmers plc were held, at a cost of £51,000 by the Employee Share Option Plan Trust. These are being held in respect of future employee incentive schemes.

12) STOCK

	Group 2008 £000s	Group 2007 £000s	Company 2008 £000s	Company 2007 £000s
Raw materials and consumables	823	463	823	463
Finished goods	14,716	11,265	14,550	11,104
	15,539	11,728	15,373	11,567

13) DEBTORS

	Group 2008 £000s	Group 2007 £000s	Company 2008 £000s	Company 2007 £000s
Trade debtors	23,505	14,428	23,441	14,379
Amounts owed by subsidiary companies	-	-	131	11
Other debtors	1,292	1,379	1,268	1,356
Prepayments and accrued income	1,709	2,095	1,689	2,081
Deferred taxation	836	-	834	821
Accrued capital receipt	-	4,393	-	-
	27,342	22,295	27,363	18,648

The Group's financing arrangements include the use of invoice discounting as explained in note 14. Included in trade debtors for the Group of £ 23,505,000 (2007: £14,428,000) and for the Company of £ 23,441,000 (2007: £14,379,000) are amounts of £6,903,000 (2007: £193,000) on which finance has been raised.

14) CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2008 £000s	Group 2007 £000s	Company 2008 £000s	Company 2007 £000s
Bank loans, advances and overdrafts	1,358	5,815	1,944	6,175
Amounts due in respect of invoice discounting	5,177	145	5,177	145
Members' loans	91	92	91	92
Trade creditors	25,266	17,220	25,152	17,129
Amounts owed to subsidiary companies	-	-	436	9,018
Finance lease obligations	110	266	107	264
Corporation tax	384	1,792	372	1,779
Other taxation and social security	17	1,286	6	1,277
Accruals and deferred income	7,050	3,137	6,989	3,750
	39,453	29,753	40,274	39,629

Banking facilities
The Group's principal bankers at 31 May 2008 were Barclays Bank PLC.
On 3 September 2004 the Group entered into a Rate Swap Transaction, effective from 30 September 2004, initially in respect of interest on its term loan of £7,000,000. This Rate Swap Transaction terminates on 30 September 2014 and includes an Option Early Termination Date of 30 September 2009. This transaction was entered into for the purpose of hedging the Group's future interest liability in respect of its term loan for the periods detailed immediately above by replacing floating rate interest risk with fixed interest commitments. The nominal value of the swap reduces each year in line with the groups repayment of the term loan. At 31 May 2008, the balance was £4,550,000 (2007: £5,250,000).

At 31 May 2008, the following banking facilities were in place:
(1) Term loan facility of £7,000,000 repayable in 10 years bearing interest at 1.85% above LIBOR.
(2) Invoice discounting facilities up to £10,000,000 bearing a discount charge of 1.25% above Barclays Bank PLC's Base Rate.
(3) An overdraft facility of £2,500,000 bearing interest at Barclays Bank Plc's Base Rate plus 1.25% up to £1,000,000 and Base Rate plus 1.75% over £1,000,000.

These facilities were secured by a first debenture over the assets of Countrywide Farmers plc and a first legal charge over Countrywide Farmers plc's freehold and leasehold properties. The amounts extant against these facilities are reflected in the Group's Financial Statements at 31 May 2008.

During the year, a revolving credit facility of £4,000,000 was repaid.

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

	Group 2008 £000s	Group 2007 £000s	Company 2008 £000s	Company 2007 £000s
Bank loans	3,850	4,550	3,850	4,550
Finance lease obligations	198	93	191	93
	4,048	4,643	4,041	4,643

Maturity Statement

Group	Bank 2008 £000s	Finance Leases 2008 £000s	Other Financial Liabilities 2008 £000s	Total 2008 £000s
In one year or less, or on demand	6,535	110	91	6,736
In more than one year, but not more than two years	700	112	-	812
In more than two years, but not more than five years	2,100	86	-	2,186
In more than five years	1,050	-	-	1,050
	10,385	308	91	10,784

	Bank 2007 £000s	Finance Leases 2007 £000s	Other Financial Liabilities 2007 £000s	Total 2007 £000s
In one year or less, or on demand	5,960	266	92	6,318
In more than one year, but not more than two years	700	36	-	736
In more than two years, but not more than five years	2,100	57	-	2,157
In more than five years	1,750	-	-	1,750
	10,510	359	92	10,961

Company	Bank 2008 £000s	Finance Leases 2008 £000s	Other Financial Liabilities 2008 £000s	Total 2008 £000s
In one year or less, or on demand	7,121	107	91	7,319
In more than one year, but not more than two years	700	111	-	811
In more than two years, but not more than five years	2,100	80	-	2,180
In more than five years	1,050	-	-	1,050
	10,971	298	91	11,360

	Bank 2007 £000s	Finance Leases 2007 £000s	Other Financial Liabilities 2007 £000s	Total 2007 £000s
In one year or less, or on demand	6,320	264	92	6,676
In more than one year, but not more than two years	700	36	-	736
In more than two years, but not more than five years	2,100	57	-	2,157
In more than five years	1,750	-	-	1,750
	10,870	357	92	11,319

16) PROVISIONS FOR LIABILITIES AND CHARGES

Members' Retirement Scheme and Deferred tax

	2008 Group £000s	2007 Group £000s	2008 Company £000s	2007 Company £000s
Members' Retirement Scheme	1,273	1,310	1,273	1,310
Deferred tax	-	94	-	-
At 31 May 2008	1,273	1,404	1,273	1,310

Members' Retirement Scheme Group and Company

	£000s
At 1 June 2007	1,310
Paid in Year	(37)
At 31 May 2008	1,273

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 after they reach the age of 65, or to the estate of deceased members.

17) DEFERRED TAX ASSET

	Group 2008 £000s	Group 2007 £000s	Company 2008 £000s	Company 2007 £000s
Accelerated Capital Allowances	33	(223)	34	(223)
Short term timing differences	(169)	(99)	(168)	(98)
Losses	(700)	(500)	(700)	(500)
Capital Gains	-	916	-	-
	(836)	94	(834)	(821)
Deferred tax on pension liability	(2,144)	(1,918)	(2,144)	(1,918)
	(2,980)	(1,824)	(2,978)	(2,739)

Movement in Deferred Tax

	Group Total 2008 £000s
Deferred tax asset at 1 June 2007	(1,824)
Transferred in from Joint Venture	243
Deferred tax credit to the profit and loss account	(806)
Deferred tax credit to the statement of total recognised gains and losses	(593)
Deferred tax asset at 31 May 2008	(2,980)

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. The total asset not recognised for the Group and Company is £1,476,000 (2007: £1,831,500) all of which relates to trading losses. In addition to this there is an unprovided deferred tax liability of £918,000 (2007: £983,000) in respect of gains rolled into assets which are not going to be sold in the foreseeable future.

18) SHARE CAPITAL

	2008 £000s	2007 £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

19) MERGER RESERVE

	Group 2008 £000s	Group 2007 £000s	Company 2008 £000s	Company 2007 £000s
Merger reserve	-	(7,343)	-	(7,343)

The Merger reserve represents the difference between the nominal value of the share capital issued by Countrywide Farmers plc and the nominal value of the interests transferred to it in the share capital of Midland Shires Farmers Limited of £6,080,568 and in WMF Limited of £2,989,187 consequent to the merger of those entities under the Schemes of Arrangement effected in July 1999 under Section 425, Companies Act 1985.

During the year, an internal reorganisation was undertaken which included the commencement of the liquidation of WMF Limited and Midland Shires Farmers Limited. As a result the merger reserve was tranferred to the profit and loss account.

20) REVALUATION RESERVE

	Group 2008 £000s	Group 2007 £000s	Company 2008 £000s	Company 2007 £000s
At 1 June	14,536	20,376	14,536	-
Transfer to profit and loss account on disposal	-	(5,429)	-	-
Arising from transfer from subsidiaries	-	-	-	14,947
Movement on property revlauation	-	(411)	-	(411)
At 31 May	14,536	14,536	14,536	14,536

21) PROFIT AND LOSS ACCOUNT

	Group £000s	Company £000s
At 1 June 2007	6,634	(783)
Retained profit for the year	1,563	8,256
Actuarial loss on pension scheme	(2,576)	(2,576)
Movement on deferred tax relating to pension liability	721	721
Impact of tax rate change recognised in reserves	(128)	(128)
Transfer of Merger reserve	(7,343)	(7,343)
At 31 May 2008	(1,129)	(1,853)

22) RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group 2008 £000s	Group 2007 £000s
At beginning of year	30,240	24,493
Retained profit for the year	1,563	2,126
Actuarial (loss)/gain on pension scheme	(2,576)	8,087
Movement on deferred tax relating to pension liability	721	(2,426)
Impact of tax rate change recognised in reserves	(128)	-
Movement on property revaluation	-	(411)
Tax effect of realisation of revaluation gain	-	(1,629)
At end of year	29,820	30,240

23) MINORITY INTEREST

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

24) EMPLOYEES' AND DIRECTORS' REMUNERATION

Staff costs	2008 £000s	2007 £000s
Wages and salaries	13,925	14,002
Social security costs	1,203	1,348
Other pension costs	360	371
Credit arising from pension scheme amendment	-	(1,871)
	15,488	13,850

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

	Full Time Equivalent 2008 Number	Full Time Equivalent 2007 Number	Headcount 2008 Number	Headcount 2007 Number
Agriculture	104	143	108	151
Retail	509	493	611	580
Energy	87	69	93	74
	700	705	812	805

Remuneration of Directors	2008 £000s	2007 £000s
Aggregate emoluments (including benefits in kind)	464	413
Performance related bonuses	124	-
Contribution to defined contribution pension scheme	26	20
	614	433

Retirement benefits are accruing to one Director under the hybrid Countrywide Farmers Retirement Benefit Scheme (2007: one). Retirement benefits are accruing to one director under the Countrywide Farmers Money Purchase Scheme (2007: one director).

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

	2008 £000s	2007 £000s
Emoluments (including performance related bonus)	227	145
Defined benefit pension scheme:		
Accrued pension as at 31 May	38	37

Long Term Incentive Plan

On 29 May 2008, a Long Term Incentive Plan was 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 preceding 3 months was 26 pence per ordinary share:

	No. of shares
John Hardman	150,800
Les Collins	102,500
Senior Management	119,041
Total	372,341

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

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

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

25) 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 2008 was £204,622 (2007: £182,170).

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 £172,000 (2007: £202,000)

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

Additional contributions paid by the company during the year totalled £1,012,000 (2007: £944,000)

A formal valuation of the scheme was carried out on 5 April 2006 and the company increased its contributions to £1.0million to reduce the deficit identified in the final salary section of the scheme. This will increase to £1.1 million from October 2008.

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 4.0% per annum and that after retirement, investment earnings would exceed pension increases by 2.0% per annum. The market value of the assets at 31 May 2008 was £61.5 million, which represented 89% 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 2006 and has been updated to 31 May 2008 by a qualified independent actuary. The major assumptions used by the actuary in the valuation of the scheme under FRS17 are:

	At 31 May 2008	At 31 May 2007	At 31 May 2006
Rate of increase of pensions in payment	3.45%	2.75%	2.75%
Rate of increase in deferred pensions	3.45%	2.75%	2.75%
Discount rate	6.50%	5.70%	5.00%
Inflation assumption	3.70%	3.00%	3.00%

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

Life expectancy aged 65	31 May 2008	31 May 2007	31 May 2007
Male currently aged 45	23.1	23.0	20.1
Female currently aged 45	25.9	25.8	23.1
Male currently aged 65	22.0	21.9	20.1
Female currently aged 65	24.8	24.8	23.1

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

	Expected rate of return	Value at 31 May 2008 £000s	Expected rate of return	Value at 31 May 2007 £000s	Expected rate of return	Value at 31 May 2006 £000s
Equities/property	7.00%	51,980	7.00%	54,832	7.00%	45,921
Government bonds/cash	5.00%	5,417	5.00%	7,124	4.30%	8,180
Corporate bonds	6.50%	4,110	5.50%	4,088	5.00%	4,068
Total market value of assets		61,507		66,044		58,169
Actuarial value of liability		(69,162)		(72,437)		(75,477)
Deficit in the scheme		(7,655)		(6,393)		(17,308)
Related deferred tax asset		2,144		1,918		5,192
Net pension liability		(5,511)		(4,475)		(12,116)

Analysis of the amount (credited)/charged to operating profit in respect of defined benefit scheme:

	At 31 May 2008 £000s	At 31 May 2007 £000s
Past service credit	-	(1,871)

Analysis of the amount (credited) to other finance income:

	At 31 May 2008 £000s	At 31 May 2007 £000s
Expected return on pension scheme assets	(4,345)	(3,761)
Interest on pension liabilities	4,043	3,748
Net (return)	(302)	(13)

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

	At 31 May 2008 £000s	At 31 May 2007 £000s
Actual return less expected return on assets	(6,868)	5,925
Experience gains and losses arising on pension scheme liabilities	-	(1,904)
Changes in assumptions	4,292	4,066
Net (loss)/gain recognised	(2,576)	8,087

Notes to the Financial Statements *(Continued)*

For the year ended 31 May 2008

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

	At 31 May 2008 £000s	At 31 May 2007 £000s
Defined benefit obligation at beginning of year	72,437	75,477
Past service credit	-	(1,871)
Interest cost	4,043	3,748
Benefits paid	(3,026)	(2,755)
Actuarial (gain)	(4,292)	(2,162)
Defined benefit obligation at end of year	69,162	72,437

	At 31 May 2008 £000s	At 31 May 2007 £000s
Fair value of assets at beginning of year	66,044	58,169
Expected return on assets	4,345	3,761
Employer contributions	1,012	944
Benefits paid	(3,026)	(2,755)
Actuarial (loss)/gain on assets	(6,868)	5,925
Fair value of assets at end of year	61,507	66,044

History of experience gains and losses:

	At 31 May 2008 £000s	At 31 May 2007 £000s
Difference between expected and actual return on scheme assets:		
Amount (£'000s)	6,868	6,540
Percentage of scheme assets	11.17%	9.70%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000s)	(2,576)	8,087
Percentage of scheme liabilities	3.72%	13.50%

26) LEASE COMMITMENTS

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

	Land and Buildings 2008 £000s	Other Plant and Machinery 2008 £000s	Group 2008 £000s	Company 2008 £000s
Within one year	61	191	252	223
Within two to five years inclusive	357	901	1,258	1,257
Over five years	1,224	-	1,224	1,224
	1,642	1,092	2,734	2,704

	Land and Buildings 2007 £000s	Other Plant and Machinery 2007 £000s	Group 2007 £000s	Company 2007 £000s
Within one year	23	476	499	457
Within two to five years inclusive	205	1,018	1,223	1,203
Over five years	1,188	-	1,188	1,188
	1,416	1,494	2,910	2,848

27) CAPITAL COMMITMENTS

	Group 2008 £000s	Group 2007 £000s	Company 2008 £000s	Company 2007 £000s
Capital expenditure contracted but not provided for	995	789	995	789

28) BUSINESS ACQUISITION

On 17 December 2007, Countrywide Farmers plc acquired 50% of the Joint Venture business that was operated by Countrywide LP Gas Limited and Esso Petroleum Company. The transaction had an effective date of 30 September 2007. Following the transaction the group owns 100% of the business.

The group paid £1,975,000 for the interest in the business.

The assets acquired and the results of the business from the effective date have been consolidated into the financial statements at 31 May 2008.

The fair value of the assets and liabilites acquired are set out below. This generated negative goodwill amounting to £1,059,000:

	£'000
Fixed assets	3,033
Current assets	705
Liabilities due within 1 year	(704)
	3,034
Consideration	(1,975)
Negative goodwill	1,059

29) PRINCIPAL SUBSIDIARIES

	Nature of business	Type of shares	% Share holding	Country of registration	Reporting date
Subsidiary undertakings					
Countrywide LP Gas Limited (note 28)	LPG Supplier	£1 ordinary	100%	England	31 May
MSF (Welland Valley Feeds) Limited	Inputs to farming trade	£1 ordinary	80%	England	31 May

30) 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 2008 £000s	Transactions 2007 £000s	Debt at 31 May 2008 £000s	Debt at 31 May 2007 £000s
T. Holderness-Roddam	Non Executive Director	43	37	2	1
R.C. Beldam	Non Executive Director	143	219	N/A	19

This reflects transactions up to the date of retirement of R.C. Beldam.

The Group has taken advantage available to it under FRS 8 'Related Party Disclosures' to not disclose transactions or balances between Group entities that have been eliminated on consolidation.

31) 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 2008 to £10, 385,000 (2007: £10,510,000). In addition, this guarantee covers bank guartantees of £975,000 (2007: £1,295,000)

At the year end the Group was committed to minimum payments of £639,822 in relation to contracts for the supply of gas and electricity for resale (2007: £994,652).

32) 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 25 September 2008 at Deer Park Hall, Eckington, Pershore, Worcester, WR10 3DN for the following purposes:

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 2008.
2. To re-elect Mr Nigel Patrick Hall who retires pursuant to Article 90 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
3. To re-elect Sir Ben Gill who retires pursuant to Article 90 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
4. To re-elect Mr. Stuart Crebo who retires pursuant to Article 84 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
5. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the directors to fix their remuneration.

SPECIAL RESOLUTION

6. THAT, the directors be and they are hereby empowered pursuant to Section 95(1) of the Act and in substitution for all existing powers, to allot for cash equity securities (within the meaning of Section 94 of the Act) as if Section 89(1) of the Act did not apply to any such allotment provided that this power is limited to:

(i) the allotment of equity securities in connection with an offer (whether by way of rights, open offer or otherwise) of securities, open for acceptance for a period fixed by the directors to the holders of ordinary shares and such other equity securities of the Company as the directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws, or the requirement of any recognised regulatory body or any stock exchange, in any territory; and
(ii) any other allotment of equity securities up to an aggregate nominal amount of five per cent of the issued share capital of the Company;

and shall expire fifteen months after the passing of this resolution, 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 notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements. (See note 4 for an explanation of this resolution).

By order of the Board	*Registered Office*
L.J. Collins	*Defford*
Company Secretary	*Earls Croome*
28 August 2008	*Worcester*
	WR8 9DF

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 and vote instead of him.

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 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, Defford, Earls Croome, Worcester, WR8 9DF not less than 48 hours before the time for holding the meeting.

4. Resolution 6 gives the directors the power to issue shares for cash, without first offering the shares to existing shareholders by way of rights. Such power is limited to a quantity of shares not exceeding 5% of the current issued share capital. Such a power could be useful in many situations including the admission of new members. The wording in sub paragraph (i) of the resolution addresses the technicalities of company law which may arise if the directors were to propose a rights issue.

Countrywide Sites

- ● Country Store
- ■ Head Office
- ▲ Sales Office
- ★ Fuel Storage








countrywide
Farmers plc

Supplying the rural community

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