Parent AA's for
MSF Welland Valley Feeds Limited
2962056

Registered Number: 3776711

# Countrywide Farmers plc

Annual Report and Financial Statements

For Year ended 30 November 2016

# Contents

# Strategic Report
## Chairman's Report 2016

This year has seen a further period of considerable change for the business dominated by the implementation of Project Fusion, the Microsoft Dynamics AX ERP (Enterprise Resource Planning) system platform. This critical investment has replaced the majority of our legacy systems, with far reaching changes to working practices. With the successful conclusion of rollout in January 2017, it now provides an effective operating environment enabling future growth. This change proved to be more challenging and disruptive than we had anticipated, inhibiting capacity to develop the business and drive growth in the short term and Retail turnover was particularly hampered through the latter part of last year.

We report a disappointing financial result for the year with a loss from continuing operations of £(9.9)m (2015: £(8.2)m - 18 months) driven primarily by a weakening performance in our Retail business in the second half. This performance was impacted by disruption to sales through poor on shelf product availability caused by the new system implementation, alongside market conditions that continued to be challenging. It also proved necessary to delay the full integration of the newly acquired Cornwall Farmers stores, with consequential additional cost. Our Rural Energy - LPG and Turf & Amenity businesses continued to develop positively through the year with the acquisition of new customers.

The Board has continued to closely and carefully review the strategic direction and profitability of the Company and has taken recent deliberate action to reduce costs and improve profitability. This resulted in rationalisation of the cost base and closure of 14 less profitable retail stores.

Whilst the Board believes the Retail business is now well placed for the future, we have recently appointed advisors to explore a potential sale of that business. It is clear to the Board that the retail environment remains challenging and that to compete effectively for the long-term will require further rationalisation of the cost base along with potential further investment. With the operational challenges outlined above, three business units all requiring investment, together with a legacy pension scheme to fund, the Board has to prioritise the opportunities that we believe will deliver the greatest returns.

I joined the Board as a Non-Executive Director on 4 January 2016 and took over as Chairman at the AGM on the 27 April 2016. I would like to thank John Elliot, non-executive director, who stepped down from our Board after four years in December 2016. I would also like to particularly acknowledge and thank everyone in the business for their significant effort, contribution and commitment through this period of considerable change. Whilst there is likely to be a continued period of uncertainty as we seek to confirm the direction for the Retail business, we will be taking every step to protect the future of all stakeholders insofar as we reasonably are able moving forward.

I look forward to welcoming shareholders at the Annual General Meeting which is being held at our Evesham head office at 11am on Friday 26th May 2017.

Gareth Thomas
Chairman
4 April 2017

# Strategic Report
## Chief Executive Officer's Report

This year has seen continuing transformational change. Having previously re-positioned the business to focus on our Retail, Rural Energy - LPG and Turf & Amenity businesses, it is with disappointment that we report results considerably below our expectations which have required us to once again re-examine our business strategy.

Without doubt, the challenging market conditions combined with Project Fusion, our major business change project, seriously restricted our ability to drive growth and profitability last year. This period of transition was more challenging and disruptive than we had anticipated and continued to require huge team effort and focus throughout the year. This particularly impacted the sales performance and profitability of our Retail business and notably disappointed customers through poor on-shelf availability. We are confident that Retail is now well positioned for growth moving forward, with actions taken more recently to improve profitability underpinned by a market leading ERP/Multichannel system following the successful completion of Project Fusion. However, we have concluded that it would be beneficial to explore the potential sale of Retail to enable the Company to focus on its Rural Energy - LPG and Turf & Amenity businesses. Rural Energy - LPG and Turf & Amenity have enjoyed robust and profitable trading performance and are well positioned to drive growth in the future.

**Project Fusion**

We successfully concluded the rollout of Microsoft Dynamics AX ('AX') across the business in January 2017. This major project took longer than was originally planned at a total capital cost of £6.0m and was more challenging and disruptive, notably for our Retail business, than we had expected. In addition, the full integration of Cornwall Farmers was inevitably delayed, which limited the opportunity to drive synergy benefits in the year. Project Fusion replaced operational systems across core trading, distribution, store operations and online together with our accounting environment. Work to stabilise the new system and embed working practices is now well progressed.

The completion of this project, which commenced over three years ago, should be considered a major achievement for Countrywide and the teams that supported the implementation. We are the first UK retail company to implement a fully integrated AX suite of products providing a single view of product, stock and customers and giving full multi-channel capability.

**Operational Review - Retail**

The Retail business supplies to business customers across agricultural and equestrian sectors supported by a field based sales team and supply centres, together with end consumers supported by our retail stores and online channel. The Retail and agricultural markets remained challenging and competitive with farm gate pricing once again impacting confidence for our key customer group.

Retail like-for-like sales for the year were below our expectation and negative at (1.9)%, with particularly disappointing performance in the second half negative at (3.9)%. This performance was impacted by poor on-shelf availability and downturn in the farming sector, depressing agricultural sales which remain our largest product category. Cornwall Farmers' sales performance was encouragingly in line with expectations and was not impacted by availability issues in the year.

On-shelf availability particularly affected our Countrywide stores during the rollout of Project Fusion in the second half of the year. We struggled in the early stages of implementation to set up, order and ship products effectively through our wider supply chain, leading to gaps on shelves and disappointed customers. Stock availability has recovered strongly in recent weeks and we are now in a position to leverage the capability of the system to continue to drive improvement moving forward.

Category performances were more resilient in Equine, Pet, Animal Health and Agri Fencing & Equipment with weaker performances in Seasonal (weather driven), Clothing and Footwear, core Agri, Harvesting and Household (availability and market driven).

# Strategic Report

## Chief Executive Officer's Report *(Continued)*

Online sales currently remain a small proportion of our overall business with growth inhibited in the year by a later than planned rollout of the new system platform. This channel is now well positioned to achieve growth, with planned investment in digital marketing to drive customer traffic combined with improved levels of conversion supported by the new environment. Click and collect is fully enabled across the business and click and reserve capability will be rolled out shortly. This, combined with fully enabled online in-store ordering across our full range provides multi-channel capability for the benefit of our customers.

Underlying Retail margins were flat year-on-year notwithstanding an ongoing commitment to invest in price - whereby we routinely review and price match against key competitors across around 900 product lines.

Activity is underway to recover availability and win back customers, albeit this is expected to take time in what is a challenging retail and farming climate. We have the benefit of being able to contact customers through our Customer Relationship Management system ("CRM") supported by our field sales team and Countryclub Loyalty scheme data supported by our in-store teams. This gives us direct access to over 300,000 customers.

We completed investment at our Defford Distribution centre, opening a new 1800m² building which supports bulk throughput and storage. This, combined with the benefits of Fusion automation, positions this facility well to support multichannel growth and central distribution of product.

Since year end we have responded to the disappointing like-for-like sales performance and deterioration in profitability by reducing our cost base, to deliver annual savings of c£5m on a full year basis. We have also taken the difficult decision to close 14 of our less profitable stores. This included three of our newer retail park store locations whose performance failed to meet viability expectations.

**Operational Review - Rural Energy - LPG**
The Rural Energy business supplies bulk LPG and bottled gas to both domestic and commercial customers.

Despite the mildest winter on record, LPG volumes remained robust in the first half of the year with trading in the second half impacted by dry and milder weather. This dramatically reduced volumes sold notably for grain drying activity in the late summer and into early Autumn. Margins remained strong throughout the period, albeit our customers are becoming more price sensitive and we are seeing higher levels of price challenge particularly within our domestic markets.

Our growth plans are progressing well and we continue to extend our customer base, seeing encouraging new business following launch of the LPG Countrywide brand into Cornwall, Devon and Cheshire earlier in the year. During the year we have increased our focus on commercial customers which enables a less seasonal pattern of trading, leveraging our operational assets outside of traditional peak trading times.

Consistent with our strategy to drive geographical expansion, we have secured a lease on a new LPG storage facility at Burton upon Trent and construction is now well underway to establish operational storage and distribution capability later this year. LPG remains a significant and profitable element of our business and is expected to drive growth moving forward.

**Operational Review - Turf & Amenity**
Turf & Amenity has concluded a successful year of growth, offering exclusive products to a specialist customer base. The business has successfully expanded from its core customer base into the amenity sector which opens up a much wider sales opportunity. The new in-field specialists leading this growth have already made some key new contract gains with premier football clubs during their first year. This business is small but profitable, with growth opportunity moving forward supported by our field based sales team.

**Our Suppliers**
We continue to work closely with our suppliers and we held our fifth supplier conference in November 2016, attended by over 70 key suppliers to further update on progress and strategy. I would like to thank our suppliers for their ongoing support and their patience as we have worked through the disruption caused by the Project Fusion implementation.

# Strategic Report
## Chief Executive Officer's Report *(Continued)*

**Our People**
The changes brought about by Project Fusion have been keenly felt by people right across our business who have worked tirelessly to re-train and overcome the inevitable challenges of such a considerable change. I would like to thank everyone who has supported us, and I am confident that the worst is behind us and we can now start to leverage the benefits of our new environment to the benefit of all.

The knowledge and expertise of our teams remains an important differentiator and we have continued to invest in the training of our staff in animal health, agriculture, equestrian and pet specialisms through our award winning specialist training programme. We have approximately 250 qualified staff which include 150 in-store specialists who continue to provide excellent service to our customers.

Our people continue to be recognised externally winning 'Over the Counter' awards in a number of categories and the overall 'British Equestrian Trade Association' Retail employee of the year.

Through the year we have welcomed many new colleagues and said goodbye to others. I would like to thank those colleagues who left the business more recently as a direct result of our decision to reduce our costs and close a number of our less profitable stores. They have all shown a superb level of professionalism and support through a difficult period for them personally. I would also like to thank the Cornwall Farmers head office team who have continued to work with us throughout the year, most of whom have now left the business for pastures new following completion of integration in January 2017.

**Charity**
We have continued to raise funds for our chosen charity, Dogs for Good, an innovative charity which explores ways dogs can help people overcome specific challenges and enrich and improve lives and communities. Over the year we have raised and donated over £25k sponsoring ten puppies to date of which two, Gus and Nellie, have now formally qualified as team assistance dogs and have been placed with their new families.

**Outlook**
Retail is now well positioned for future growth, with actions taken more recently to improve profitability, underpinned by a market leading ERP/Multichannel system.

However, it is clear to the Board that the retail environment remains challenging and that to compete effectively for the long-term will require further rationalisation of our cost base along with potential further investment. With these considerations, together with a legacy pension scheme to fund, the Board has to prioritise the opportunities that will deliver the greatest returns with the least risk.

In light of this we have decided to explore the possibility of attracting a buyer for our retail business. This would be an organisation with the means to invest and build on our strong market position and take the business to the next level.

Both LPG and Turf & Amenity are profitable parts of our business and in a strong position to build market share, drive profitable growth and enhance shareholder value.

We have now started to engage with potential buyers and this will progress over the coming months, however, we don't anticipate anything changing immediately. Until then it is business as usual for everyone.

We can also confirm that we have recently concluded positive discussions with our banking partners and have agreed funding facilities that support the requirements of the entire business for the foreseeable future.

JL Hardman

John Hardman
Chief Executive Officer
4 April 2017

# Strategic Report
## Chief Financial Officer's Report

We report for a 52 week period under International Financial Reporting Standards (IFRS) for the first time, this compares with an 18 month comparative period following a change to our year end date in the previous year. The prior period has also been restated under IFRS with commentary included at note 36 to explain the transition and key changes.

The prior year includes disposed elements of our Direct Sales business and a short trading period from Cornwall Farmers, acquired in September 2015.

**Consolidated Income Statement (noting 12 month vs 18 month comparisons)**
Group revenue from continuing operations was £134.3m (2015: £169.6m) and group operating loss £(8.4)m (2015: £(4.8)m). This overall loss is driven primarily by Retail with disappointing like-for-like performance notably in the second half of the year, £1.2m of exceptional costs driven by a combination of Project Fusion and Cornwall Farmers integration partially offset by positive profit contribution in our Rural Energy - LPG and Turf & Amenity businesses.

Loss for the period was £(10.3)m (2015: profit £1.4m) with the prior year notably benefiting from profit on business disposals.

Deliberate action has been taken across the business since the end of the financial year to reduce costs in response to disappointing trading results, including the closure of 14 less profitable Retail stores. These actions, alongside the confirmation of the intention to explore the potential sale of the Retail business, should enable a return to profitability in the future provided that legacy lease liabilities can be mitigated satisfactorily and in conjunction with an improvement to the pension scheme deficit.

Total comprehensive losses for the period are £(20.0)m (2015: £5.0m profit) impacted by a significant adverse actuarial movement on the pension scheme valuation of £(11.7)m.

**Balance Sheet and Cashflow (noting 12 month vs 18 month comparisons)**
The group had a net cash outflow from operating activities of £(5.8)m (2015: net inflow £1.6m) reflecting the operating loss, with improvement in working capital more than offset by continued contributions to the pension scheme of £2.4m in the year.

Net debt increased by £9.2m following fixed asset investment of £3.7m combined with the outflow from operating activities.

Fixed asset investment of £3.7m includes further Project Fusion expenditure of £1.5m, expenditure in LPG tanks/cylinders of £1.2m with the balance of £1m in Retail.

Net current assets reduced only marginally to £9.1m (2015: £9.5m). Total equity and liabilities have reduced considerably to £6.6m (2015: £26.4m) driven by a combination of losses in the year and the adverse actuarial movement on the pension scheme and this has resulted in the Company's net assets now being half or less of called up share capital at 40% (2015: 161%). We propose to consider at our forthcoming AGM the steps which the Board are taking, and such steps as the Shareholders consider should be taken, to address this matter, including the prospective sale of Retail at the appropriate time. We remain unable to consider dividend payments.

**Post Balance Sheet Event**
Following the balance sheet date the Company took the decision to close 14 of its less profitable stores. This will result in various costs relating to the closure being recognised in year to 30th November 2017. The Company is currently engaged in active discussion with interested parties at a significant number of these legacy sites with a view to mitigating onerous lease provision requirements.

**Financial Key Performance Indicators (Based on a 12 month comparative year-on-year)**

| | **12 month period ending 30 November 2016** |
|---|---|
| **Total sales growth** | + 19.3% |
| **Retail like-for-like sales growth** | -1.9% |

# Strategic Report

## Chief Financial Officer's Report *(Continued)*

**Non-Financial Key Performance Indicators**
The Company uses a number of non-financial key performance indicators particularly those pertaining to customers and employees. The Directors believe that the disclosure of these KPIs would be commercially sensitive and not necessary to understand the results and operations of the business.

**Pensions**
We continue to operate a defined contribution scheme for our employees and remain compliant with auto-enrolment requirements. The charge to the profit and loss account for the scheme was £0.4m (2015: £0.6m).

We also support a closed defined benefit scheme and additional contributions paid into this scheme totalled £2.4m (2015: £3.3m). Subsequent to year end the Company has approached Pension Trustees to reschedule contributions to the scheme as a result of the ongoing strategic review of the business.

The full actuarial valuation as at 5 April 2015 was concluded in the year and has been used as the basis for the update at 30 November 2016. The deficit in the scheme deteriorated to £(29.9)m (2015: £(19.4)m) driven primarily by increased liabilities assessed according to key inflation, pensions increase and discount assumptions (see note 28).

**Tax**
The corporation tax rate was reduced to 20% from 1 April 2015. There is a tax credit in the period of £0.1m (2015: charge £(0.6)m) driven primarily by operating losses. No deferred tax asset has been carried forward relating to this year's losses.

**Banking Facilities**

The Company has concluded positive discussions with its bank, HSBC, and agreed funding facilities that continue to support the requirements of the entire Company.
The Group's banking facilities comprise a £20.0m revolving credit facility repayable in full on 30 September 2018 and a £5.0m overdraft facility.

**Key Business Risks**
Key business risks include the general Economic and Retail climate together with the advancement of technology. The Company seeks to mitigate these risks by developing robust and responsible strategic and operational business plans for all business segments. More details on financial risk management can be found on page 33.

Julie Wirth
Chief Financial Officer
4 April 2017

# Directors' Profiles

## GARETH THOMAS Age 59
Began his career with John Lewis as a graduate trainee in 1979. In 2000 he was appointed to the main board of John Lewis as Director, Retail Operations, before retiring from the role of Retail Director in 2010. Latterly, he had responsibility for £3 billion turnover and over 30,000 Partner employees, as well as property, design and new formats. Since 2010, Gareth has held a number of non-executive positions including directorships on the Boards of Share plc Group, and Shoppers Stop, India. He was also until recently Deputy Chairman of Save the Children, and is currently Trustee of TATE, Chairman of Tate Enterprises Ltd., and Trustee of the American Museum in Britain.

## JOHN HARDMAN (Chief Executive Officer) Age 54
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 a Non-Executive Director of United Farmers, a cooperative organisation which combines the purchasing power of its members.

## JULIE WIRTH (Chief Financial Officer) Age 51
Joined Countrywide as Chief Financial Officer in April 2015. Julie is a qualified accountant and a Fellow of the Association of Chartered Certified Accountants. She has spent the majority of her career working within the retail sector, including a number of senior roles within Home Retail Group, Finance Director for Musgrave Retail Partners GB and CFO for Conviviality plc.

## STUART CREBO Age 63
Has held a number of senior positions in Corporate Banking, both in the UK and USA. From 1996 to 2009 was Director of Ernst & Young specialising in advising on corporate finance mergers and acquisitions as well as assisting various enterprises develop their commercial strategy and generate value for shareholders. Currently Chairman in Isca Ventures LLP, Managing Director of White Eagle Consulting Ltd and Non-Executive Director of Devon Waste Management Ltd. Chairman of the Remuneration Committee and the Audit Committee.

## PAUL FREESTON Age 56
Chairman and CEO of Apetito UK and Canada and a Director of Apetito AG, the international holding group. Apetito is an award winning organisation providing frozen food and catering solutions to care homes, local authorities and hospitals as well as providing a frozen meal delivery service to the public via Wiltshire Farm Foods. Has over 30 years' experience in the food and food manufacturing industry and is Deputy President and Treasurer of the Food and Drink Federation. He is a Fellow of the Institute of Directors.

# Directors' Report

The Directors present their report and the audited consolidated Financial Statements for the 12 month period ended 30 November 2016.

Countrywide Farmers plc is not listed on a recognised investment exchange, however, shares may be traded on Asset Match. If you wish to trade Countrywide Farmers plc shares or require further information, please contact: The Share Centre on 01296 414141.

## Principal Activities

The principal activities of the group in the period are the sale of farm sundries and retail products to the rural community, the supply of liquid petroleum gas and the supply of specialist turf and amenity products to the golf course and sport ground industry.

## Results and Dividends

The Consolidated Income Statement for the period is set out on page 15. The Directors recommend that no dividend be paid (2015: £Nil).

## Business Review and Future Developments

The review of operations of the Group is covered in the Strategic Report on pages 1 to 6.

## Directors

The Directors of the Company who were in office during the period and up to the date of signing the financial statements are listed below:

| | |
|---|---|
| N.P. Hall (Chairman) | resigned 27 April 2016 |
| G.V. Thomas (Chairman) | appointed as Chairman 27 April 2016 |
| J.H. Hardman (Chief Executive Officer) | |
| J.A Wirth (Chief Financial Officer) | |
| W.A. Webb (Chief Commercial Officer) | resigned 10 June 2016 |
| S. Crebo | |
| J.A. Elliot | resigned 31 December 2016 |
| P. R. Freeston | |

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

## Donations

During the period, the Group and staff donated £25,000 to Dogs for Good (formerly Dogs for the Disabled) (2015: £40,000 to Dogs for Good), which is a registered charity. In the coming year, the Group and staff have chosen to continue to support Dogs for Good.

## Corporate Social Responsibility

The Board is committed to ensuring Countrywide is a responsible company ensuring business operations are environmentally, socially and ethically sustainable for the long term. In doing so the Board aims to demonstrate clear leadership by supporting our customers and our staff, and by remaining focussed on dealing with the key issues that matter to the rural communities we live and work in.

Full details of the Corporate Social Responsibility statement can be found on the company website.

## Independent Auditors

As part of the audit process each Director has confirmed, as at the date of the financial statements, that as far as he is aware (a) there is no relevant audit information of which the Group's auditors are unaware, and (b) he has taken steps to make himself aware of any relevant audit information and to establish that the Group's auditors are also aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Group will be proposed at the Annual General Meeting.

S Francis

By order of the Board
Sarah Francis
Company Secretary
4 April 2017

# 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

The Board currently comprises two executive Directors and three non-executive Directors. The roles of the Chairman, who is non-executive and elected by the Board, and the Chief Executive, are separated. 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 bi-monthly 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 Stuart Crebo (Chairman), Paul Freeston and Gareth Thomas.

The Committee's remit is to determine appropriate short and long-term total reward packages for the executive Directors of the Company. It also satisfies itself that good practices apply to all Group employees through the relevant management structures.

## Audit and Risk Committee

The Audit Committee comprises Stuart Crebo (Chairman), Paul Freeston and Gareth Thomas.

The Committee identifies and establishes the Group's requirements regarding risk management, internal control, financial reporting, and accounting policies. Meetings are attended, by invitation, by appropriate executive Directors and the 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 Gareth Thomas (Chairman), John Hardman and Stuart Crebo.

The Committee establishes the criteria for appointment to the Board and identifies suitable candidates. It seeks to achieve a balance between executive and non-executive Directors. It also reviews and considers wider Company succession plans. Details of Directors' service contracts are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

## Pension Committee

The Pension Committee comprises Julie Wirth (Chair), Gareth Thomas, Paul Freeston and Stuart Crebo.

The Pension Committee is responsible for recommending the company pension advisers, for meeting with the pension trustees regarding pension valuation, considering possible changes to the running of the pension scheme, to improve the funding position and reviewing the pension trust deeds.

# Corporate Governance Statement *(Continued)*

## Board and Committee Attendance of Directors

| | Board | Remuneration Committee | Risk and Audit Committee | Nomination Committee | Pension Committee |
|---|---|---|---|---|---|
| Number of Meetings in 12 month period ended 30 November 2016 | 11 | - | 2 | - | 1 |
| Attendance of Directors: | | | | | |
| N.P. Hall (resigned 27 April 2016 | 7 | - | - | - | - |
| G.V. Thomas (appointed 4 January 2016) | 8 | - | - | - | 1 |
| J.H. Hardman | 11 | - | - | - | - |
| J.A. Wirth | 11 | - | - | - | 1 |
| W.A. Webb (resigned 10 June 2015) | 5 | - | - | - | - |
| S. Crebo | 10 | - | 2 | - | 1 |
| J.A. Elliot (resigned 31 December 2016) | 11 | - | 2 | - | 1 |
| P.R. Freeston | 10 | - | 2 | - | 1 |

## Going Concern

In accordance with the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for the Directors of UK Companies 2009', the directors of all companies are now required to provide disclosures regarding the adoption of the going concern basis of accounting.

In order to assess the adequacy of the financial facilities available to the Group, the directors have prepared detailed cash flow forecasts for the 18 months from the date of signing of these accounts. These forecasts show the Group is able to continue to operate and remain within its committed lending facilities. The directors are satisfied that sufficient headroom exists in the forecasts to absorb reasonable sensitivity analysis and that bank support will continue to be forthcoming.

Action has been taken across the business since the end of the financial year to reduce costs in response to disappointing trading results, including the closure of 14 less profitable Retail stores. These actions, alongside the confirmation of the intention to explore the potential sale of the Retail business, should enable a return to profitability in the future provided that legacy lease liabilities can be mitigated satisfactorily and in conjunction with an improvement to the pension scheme deficit.

The Directors have maintained an on-going dialogue with the Group's lenders around recent announcements regarding its Retail business and has done so with the banks full support.

The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

SFrancis

By order of the Board
Sarah Francis
Company Secretary
4 April 2017

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards and applicable United Kingdom law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Countrywide Farmers plc website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

SFrancis

By order of the Board
Sarah Francis
Company Secretary
4 April 2017

# Independent Auditors' Report to the Members of Countrywide Farmers plc

## Report on the financial statements

### Our opinion

In our opinion:

- Countrywide Farmers plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 November 2016 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated Balance Sheet and Company Balance Sheet as at 30 November 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flow and Company Statement of Cash Flow for the year then ended;
- the Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# Independent Auditors' Report to the Members of Countrywide Farmers plc *(Continued)*

## Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jason Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

5 April 2017

# Consolidated Income Statement

Year ending 30 November 2016

| | Note | Year ended 30 November 2016 £000 | 18 months ended 30 November 2015 £000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 4 | 134,262 | 169,568 |
| Cost of Sales | | (90,027) | (120,217) |
| **Gross Profit** | | 44,235 | 49,351 |
| Administrative expenses | 5a | (51,807) | (53,862) |
| Exceptional administrative expenses | 6 | (1,214) | (834) |
| Total administrative expenses | | (53,021) | (54,696) |
| Other income | | 392 | 564 |
| **Group Operating Loss** | 4 | (8,394) | (4,781) |
| Finance costs - net | 8a | (483) | (757) |
| Other finance expense | 8b | (1,131) | (2,055) |
| **Loss before taxation** | 4 | (10,008) | (7,593) |
| Taxation | 9 | 86 | (626) |
| **Loss for the period from continuing operations** | | (9,922) | (8,219) |
| Profit for the period from discontinued operations (attributable to equity holders of the company) | | - | 897 |
| (Loss)/Profit on disposal of businesses | | (331) | 8,685 |
| **(Loss)/Profit for the period** | | (10,253) | 1,363 |
| (Loss)/Profit attributable to: | | | |
| Owners of the parent | | (10,322) | 1,265 |
| Non-controlling interests | | 69 | 98 |
| **(Loss)/Profit for the period** | | (10,253) | 1,363 |

# Consolidated Income Statement *(Continued)*

Year ending 30 November 2016

| | Note | Year ended 30 November 2016 £000 | 18 months ended 30 November 2015 £000 |
|---|---|---|---|
| **Earnings per share from continuing and discontinued operations attributable to the owners of the parent** | | | |
| **Basic earnings per share** | 13 | | |
| From continuing operations | | (0.31) | (0.25) |
| From discontinued operations | | (0.01) | 0.29 |
| From (Loss)/Profit for the period | | (0.32) | 0.04 |

Outstanding share options in the year would be satisfied by shares already in issue and would not dilute earning per share.

# Consolidated Statement of Comprehensive Income

Year ending 30 November 2016

| | Note | Year ended 30 November 2016 £000 | 18 months ended 30 November 2015 £000 |
|---|---|---|---|
| Loss for the period from continuing operations | | (9,922) | (8,219) |
| Profit for the period from discontinued operations | | - | 897 |
| (Loss)/Profit on disposal of businesses | | (331) | 8,685 |
| (Loss)/Profit for the financial period | | (10,253) | 1,363 |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Gain on revaluation of fixed assets | | - | 3,575 |
| Actuarial (loss)/gain recognised in the pension scheme | 28 | (11,703) | 824 |
| Movement on deferred tax asset relating to pension scheme | 24 | 2,048 | (148) |
| Impact of tax rate change recognised in reserves | 24 | (98) | (434) |
| Movement on deferred tax relating to revaluation | 24 | 48 | (154) |
| Total comprehensive (losses)/income | | (19,958) | 5,026 |

All other items in other comprehensive income arise from continuing operations.

| | | | |
|---|---|---|---|
| **Total comprehensive (losses)/income attributable to:** | | | |
| Owners of the parent | | (20,027) | 4,928 |
| Non-controlling interests | | 69 | 98 |
| | | (19,958) | 5,026 |

# Consolidated Balance Sheet

At 30 November 2016

| | Note | Group 2016 £000 | Group 2015 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property plant and equipment | 14 | 42,103 | 43,177 |
| Investment properties | 15 | 520 | 520 |
| Intangible assets | 17 | 870 | 870 |
| Investments | 11 | 3 | 43 |
| Deferred tax asset | 24 | 4,810 | 3,093 |
| | | 48,306 | 47,703 |
| **Current Assets** | | | |
| Inventories | 18 | 22,587 | 22,896 |
| Trade and other receivables | 20 | 11,248 | 12,238 |
| Current tax asset | | 113 | - |
| | | 33,948 | 35,134 |
| **Total assets** | | 82,254 | 82,837 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 23,387 | 23,303 |
| Other interest-bearing loans and borrowings | 22 | 1,489 | 1,769 |
| Current tax liabilities | | - | 524 |
| | | 24,876 | 25,596 |
| **Non-current liabilities** | | | |
| Other interest-bearing loans and borrowings | 22 | 19,914 | 10,388 |
| Provisions for other liabilities and charges | 23 | 282 | 306 |
| Deferred income tax liabilities | 24 | 668 | 748 |
| Post employment benefits | 28 | 29,882 | 19,413 |
| | | 50,746 | 30,855 |
| **Total liabilities** | | 75,622 | 56,451 |
| **Total assets and liabilities** | | 6,632 | 26,386 |
| **Equity attributable to equity holders of the parent** | | | |
| Ordinary share capital | 25 | 16,413 | 16,413 |
| Other reserves | | 12,526 | 12,478 |
| Retained earnings | | (22,692) | (2,833) |
| Equity attributable to owners of the parent | | 6,247 | 26,058 |
| Non-controlling interests | | 385 | 328 |
| **Total equity** | | 6,632 | 26,386 |

The financial statements on pages 15 to 69 were authorised for issue by the Board of Directors on 4 April 2017 and signed on its behalf by:

**GV Thomas - Chairman**

**JH Hardman - Chief Executive Officer**

Thomas

J Hardman

# Company Balance Sheet (Registered no. 3776711)

At 30 November 2016

| | Note | 2016 £000 | 2015 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property plant and equipment | 14 | 42,016 | 43,080 |
| Investment properties | 15 | 520 | 520 |
| Intangible assets | 17 | 870 | 870 |
| Investments | 11 | 243 | 283 |
| Deferred tax asset | 24 | 4,809 | 3,093 |
| | | 48,458 | 47,846 |
| **Current Assets** | | | |
| Inventories | 18 | 22,194 | 22,517 |
| Trade and other receivables | 20 | 12,615 | 13,710 |
| Current tax asset | | 113 | - |
| | | 34,922 | 36,227 |
| **Total assets** | | 83,380 | 84,073 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 23,092 | 22,989 |
| Other interest bearing loans and borrowings | 22 | 3,191 | 3,306 |
| Current tax liabilities | | - | 392 |
| | | 26,283 | 26,687 |
| **Non-current liabilities** | | | |
| Other interest bearing loans and borrowings | 22 | 19,914 | 10,388 |
| Provisions for other liabilities and charges | 23 | 282 | 306 |
| Deferred income tax liabilities | 24 | 668 | 746 |
| Post employment benefits | 28 | 29,882 | 19,413 |
| | | 50,746 | 30,853 |
| **Total liabilities** | | 77,029 | 57,540 |
| **Total assets and liabilities** | | 6,351 | 26,533 |
| **Equity attributable to equity holders of the parent** | | | |
| Ordinary share capital | 25 | 16,413 | 16,413 |
| Other reserves | | 12,526 | 12,478 |
| Retained earnings | | (22,588) | (2,358) |
| **Total equity** | | 6,351 | 26,533 |

The financial statements on pages 15 to 69 were authorised for issue by the Board of Directors on 4 April 2017 and signed on its behalf by:

**G V Thomas - Chairman**

**J H Hardman - Chief Executive Officer**

Thomas.
J Hardman

# Consolidated Statement of Changes in Equity

At 30 November 2016

| | | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | Ordinary share capital | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| | Notes | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 June 2014 | | 16,413 | 9,057 | (4,405) | 21,065 | 275 | 21,340 |
| Profit for the period | | - | - | 1,265 | 1,265 | 98 | 1,363 |
| **Other comprehensive (loss)/ income:** | | | | | | | |
| Property revaluation | | - | 3,575 | - | 3,575 | - | 3,575 |
| Actuarial gain on pension scheme | 28 | - | - | 824 | 824 | - | 824 |
| Movement on deferred tax relating to pension liability | 24 | - | - | (148) | (148) | - | (148) |
| Impact of tax rate change in reserves | 24 | - | - | (434) | (434) | - | (434) |
| Movement on deferred tax relating to property revaluation | 24 | - | (154) | - | (154) | - | (154) |
| | | 16,413 | 12,478 | (2,898) | 25,993 | 373 | 26,366 |
| **Transactions with owners:** | | | | | | | |
| Share option charge | | - | - | 56 | 56 | - | 56 |
| Issue of shares from EBT | | - | - | 9 | 9 | - | 9 |
| Dividends | | - | - | - | - | (45) | (45) |
| | | - | - | 65 | 65 | (45) | 20 |
| **At 30 November 2015** | | **16,413** | **12,478** | **(2,833)** | **26,058** | **328** | **26,386** |
| At 1 December 2015 | | 16,413 | 12,478 | (2,833) | 26,058 | 328 | 26,386 |
| Loss for the year | | - | - | (10,322) | (10,322) | 69 | (10,253) |
| **Other comprehensive (loss)/ income:** | | | | | | | |
| Actuarial loss on pension scheme | 28 | - | - | (11,703) | (11,703) | - | (11,703) |
| Movement on deferred tax relating to pension liability | 24 | - | - | 2,048 | 2,048 | - | 2,048 |
| Impact of tax rate change in reserves | 24 | - | - | (98) | (98) | - | (98) |
| Movement on deferred tax relating to property revaluation | 24 | - | 48 | - | 48 | - | 48 |
| | | 16,413 | 12,526 | (22,908) | 6,031 | 397 | 6,428 |
| **Transactions with owners:** | | | | | | | |
| Issue of shares from EBT | | - | - | 148 | 148 | - | 148 |
| Share option charge | | - | - | 68 | 68 | - | 68 |
| Dividends | | - | - | - | - | (12) | (12) |
| | | - | - | 216 | 216 | (12) | 204 |
| **At 30 November 2016** | | **16,413** | **12,526** | **(22,692)** | **6,247** | **385** | **6,632** |

# Company Statement of Changes in Equity

At 30 November 2016

| | | Attributable to owners of the parent | | | |
|---|---|---|---|---|---|
| | | Ordinary share capital | Other reserves | Retained earnings | Total equity |
| | Notes | £000 | £000 | £000 | £000 |
| At 1 June 2014 | | 16,413 | 9,057 | (3,264) | 22,206 |
| Profit for the period | | - | - | 608 | 608 |
| **Other comprehensive (loss)/income:** | | | | | |
| Property revaluation | | - | 3,575 | - | 3,575 |
| Actuarial gain on pension scheme | 28 | - | - | 824 | 824 |
| Movement on deferred tax relating to pension liability | 24 | - | - | (148) | (148) |
| Impact of tax rate change in reserves | | - | - | (434) | (434) |
| Movement on deferred tax relating to property revaluation | 24 | - | (154) | - | (154) |
| | | 16,413 | 12,478 | (2,414) | 26,477 |
| **Transactions with owners:** | | | | | |
| Share option charge | | - | - | 56 | 56 |
| | | - | - | 56 | 56 |
| **At 30 November 2015** | | **16,413** | **12,478** | **(2,358)** | **26,533** |
| At 1 December 2015 | | 16,413 | 12,478 | (2,358) | 26,533 |
| Loss for the year | | - | - | (10,545) | (10,545) |
| **Other comprehensive (loss)/income:** | | | | | |
| Actuarial loss on pension scheme | 28 | - | - | (11,703) | (11,703) |
| Movement on deferred tax relating to pension liability | 24 | - | - | 2,048 | 2,048 |
| Impact of tax rate change in reserves | | - | - | (98) | (98) |
| Movement on deferred tax relating to property revaluation | 24 | - | 48 | - | 48 |
| | | 16,413 | 12,526 | (22,656) | 6,283 |
| **Transactions with owners:** | | | | | |
| Share option charge | | - | - | 68 | 68 |
| | | - | - | 68 | 68 |
| **At 30 November 2016** | | **16,413** | **12,526** | **(22,588)** | **6,351** |

# Consolidated Statement of Cash Flow

Year ending November 2016

| | Note | Group Year ended 30 November 2016 £000 | Group 18 months ended 30 November 2015 £000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operations | | (4,954) | 2,222 |
| Interest paid | | (454) | (744) |
| Income taxes (received)/paid | | (352) | 97 |
| **Net cash (outflow)/inflow from operating activities** | | **(5,760)** | **1,575** |
| **Cash flows from investing activities** | | | |
| Payments for acquisition of trade and business | | - | (5,781) |
| Payments for property, plant and equipment | 14 | (3,731) | (8,258) |
| Proceeds from sale of businesses | | - | 9,571 |
| Proceeds from sale of property, plant and equipment | | 212 | 184 |
| **Net cash outflow from investing activities** | | **(3,519)** | **(4,284)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowing | 22 | 9,527 | 10,387 |
| Repayment of borrowings | | - | (14,000) |
| Finance lease payments | | (23) | (85) |
| Dividend paid to non-controlling interests in subsidiaries | | (12) | (45) |
| Payments to members of the members retirement scheme | 23 | (24) | (498) |
| Issue of own shares by EBT | | 68 | 9 |
| **Net cash inflow/(outflow) from financing activities** | | **9,536** | **(4,232)** |
| Net increase/(decrease) in cash and cash equivalents | | 257 | (6,941) |
| Cash and cash equivalents at the beginning of year | | (1,745) | 5,196 |
| Cash and cash equivalents at end of year | | (1,488) | (1,745) |

# Consolidated Cash Flow Statement

Year ending 30 November 2016

**a) Cash generated from operations**

| | Note | Group Year ended 30 November 2016 £000 | Group 18 months ended 30 November 2015 £000 |
|---|---|---|---|
| **Group operating (Loss)/Profit** | | | |
| Continuing operations | | (8,394) | (4,781) |
| Discontinued operations | | - | 897 |
| **Group operating Loss including discontinued operations** | | (8,394) | (3,884) |
| Adjustments for | | | |
| Depreciation | 14 | 4,485 | 4,924 |
| Acquisition fees expensed | | - | 169 |
| Impairment of investments | 11 | 40 | - |
| Movement on derivatives fair value | | - | (219) |
| Net loss on disposal of tangible assets | | 108 | 122 |
| Non-cash post employment benefit expense - Excess of pension contributions over charge | 28 | (2,362) | (3,293) |
| Non-cash employee benefits expense - share based payment | | 68 | 56 |
| Changes in operating assets and liabilities: | | | |
| Decrease in debtors | | 658 | 24,173 |
| Decrease in inventories | | 309 | 944 |
| Increase/(Decrease) in creditors | | 134 | (20,770) |
| **Cash generated from operations** | | **(4,954)** | **2,222** |

**b) Net debt reconciliation**

| | Cash/ cash equiva-lents £000 | Finance leases due within 1 year £000 | Finance leases due after 1 year £000 | Members retirement scheme £000 | Borrowings due after 1 year £000 | Total £000 |
|---|---|---|---|---|---|---|
| Net debt at 1 June 2014 | 5,196 | (62) | (48) | (804) | (14,000) | (9,718) |
| Cash flows | (6,941) | 38 | 47 | 498 | 3,613 | (2,745) |
| Net debt at 30 November 2015 | (1,745) | (24) | (1) | (306) | (10,387) | (12,463) |
| Cash flows | 257 | 23 | 1 | 24 | (9,527) | (9,222) |
| Net debt at 30 November 2016 | (1,488) | (1) | - | (282) | (19,914) | (21,685) |

# Company Statement of Cash Flow

Year ending 30 November 2016

| | Note | Company Year ended 30 November 2016 £000 | Company 18 months ended 30 November 2015 £000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operations | | (5,252) | 1,810 |
| Interest paid | | (492) | (792) |
| Income taxes (received)/paid | | (145) | 162 |
| **Net cash (outflow)/inflow from operating activities** | | **(5,889)** | **1,180** |
| **Cash flows from investing activities** | | | |
| Payments for acquisition of trade and business | | - | (5,781) |
| Payments for property,plant and equipment | 14 | (3,708) | (8,258) |
| Proceeds from sale of businesses | | - | 9,573 |
| Proceeds from sale of property, plant and equipment | | 208 | 184 |
| **Net cash outflow from investing activities** | | **(3,500)** | **(4,282)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowing | 22 | 9,527 | 10,387 |
| Repayment of borrowings | | - | (14,000) |
| Finance lease payments | | (23) | (86) |
| Payments to members of the members retirement scheme | 23 | (24) | (498) |
| **Net cash inflow/(outflow) from financing activities** | | **9,480** | **(4,197)** |
| Net increase/(decrease) in cash and cash equivalents | | 91 | (7,301) |
| Cash and cash equivalents at the beginning of the financial year | | (3,282) | 4,019 |
| Cash and cash equivalents at end of year | | (3,191) | (3,282) |

# Company Cash Flow Statement

Year ending 30 November 2016

**a) Cash generated from operations**

| | Note | Company Year ended 30 November 2016 £000 | Company 18 months ended 30 November 2015 £000 |
|---|---|---|---|
| **(Loss)/Profit before income tax from** | | | |
| Continuing operations | | (8,724) | (5,615) |
| Discontinued operations | | - | 897 |
| **Loss before income tax including discontinued operations** | | (8,724) | (4,718) |
| Adjustments for | | | |
| Depreciation | 14 | 4,461 | 4,886 |
| Acquisition fees expensed | | - | 169 |
| Impairment of investments | 11 | 40 | 450 |
| Movement on derivatives fair value | | - | (219) |
| Net profit on disposal of tangible assets | | 103 | 122 |
| Non-cash post employment benefit expense - Excess of pension contributions over charge | 28 | (2,362) | (3,293) |
| Non-cash employee benefits expense - share based payment | | 68 | 56 |
| Changes in operating assets and liabilities: | | | |
| Decrease in debtors | | 763 | 24,181 |
| Decrease in inventories | | 324 | 1,050 |
| Increase/(Decrease) in creditors | | 75 | (20,874) |
| **Cash generated from operations** | | **(5,252)** | **1,810** |

| | Cash/cash equiva-lents £000 | Finance leases due within 1 year £000 | Finance leases due after 1 year £000 | Members retirement scheme £000 | Borrowings due after 1 year £000 | Total £000 |
|---|---|---|---|---|---|---|
| Net debt at 1 June 2014 | 4,019 | (62) | (48) | (804) | (14,000) | (10,895) |
| Cash flows | (7,301) | 38 | 47 | 498 | 3,613 | (3,105) |
| Net debt at 30 November 2015 | (3,282) | (24) | (1) | (306) | (10,387) | (14,000) |
| Cash flows | 91 | 23 | 1 | 24 | (9,527) | (9,388) |
| Net debt at 30 November 2016 | (3,191) | (1) | - | (282) | (19,914) | (23,388) |

# Notes to the Financial Statements

Year ending 30 November 2016

## General information

Countrywide Farmers plc (the "company") is a public limited company incorporated and domiciled in England & Wales which is listed on the Asset Match market. The registered office of the company is Countrywide House Asparagus Way, Vale Park, Evesham, Worcestershire, United Kingdom, WR11 1GN.

Countrywide Farmers plc and it subsidiary companies (together the "group") are a multichannel supplier of quality products and services with particular emphasis on those supporting country life, including retail suppliers for agriculture and equestrian, energy and turf & amenity.

## 1) ACCOUNTING POLICIES

## Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union ("IFRS") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

As these are the first set of consolidated financial statements prepared under IFRS, note 36 provides a reconciliation between the comparatives presented in these statements with those prepared under UK GAAP for the period ended 30 November 2015. The principal accounting policies are set out below and have been applied consistently throughout the year.

## First time adoption - Group consolidated financial statements

The Group's consolidated financial statements for the year ended 30 November 2016 are the first annual financial statements that comply with IFRS. The Group has applied IFRS1 in preparing these financial statements. The Group's transition date is 1 June 2014. The Group prepared its opening IFRS balance sheet at 1 June 2014. The reporting date of the financial statements is 30 November 2016.

In preparing these financial statements in accordance with IFRS 1, the Group has applied the relevant mandatory exceptions from full retrospective application of IFRS.

The following optional exemptions have been applied by the Group:
- Restatement of all business combinations prior to the transition date; and
- Separation of cumulative translation differences existing at the transition date.

Reconciliations have been provided to quantify of the effect of the transition to IFRS in note 36 to the financial statements.

Certain amounts in the income statement and the balance sheet have been grouped together for clarity, with their breakdown being shown in the notes to the financial statements.

The distinction presented in the balance sheet between current and non-current entries has been made on the basis of whether the assets and liabilities fall due within one year or more.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 1) ACCOUNTING POLICIES *(Continued)*

### First time adoption - Parent Company financial statements

The Company's individual financial statements for the year ended 30 November 2016 are the first annual financial statements that comply with IFRS. The Company's transition date is 1 June 2014. The Company prepared its opening balance sheet at 1 June 2014. The reporting date of the financial statements is 30 November 2016.

The following optional exemptions have been applied by the Company:
- Restatement of all business combinations prior to the transition date

Reconciliations have been provided to quantify the effect of the transition to IFRS in note 36 to the financial statements.

Certain amounts in the the balance sheet have been grouped together for clarity, with their breakdown being shown in the notes to the financial statements.

The distinction presented in the balance sheet between current and non-current entries has been made on the basis of whether the assets and liabilities fall due within one year or more.

### Going concern

In accordance with the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for the Directors of UK Companies 2009', the directors of all companies are now required to provide disclosures regarding the adoption of the going concern basis of accounting.

In order to assess the adequacy of the financial facilities available to the Group, the directors have prepared detailed cash flow forecasts for the 18 months from the date of signing of these accounts. These forecasts show the Group is able to continue to operate and remain within its committed lending facilities. The directors are satisfied that sufficient headroom exists in the forecasts to absorb reasonable sensitivity analysis and that bank support will continue to be forthcoming.

Action has been taken across the business since the end of the financial year to reduce costs in response to disappointing trading results, including the closure of 14 less profitable Retail stores. These actions, alongside the confirmation of the intention to explore the potential sale of the Retail business, should enable a return to profitability in the future provided that legacy lease liabilities can be mitigated satisfactorily and in conjunction with an improvement to the pension scheme deficit.

The Directors have maintained an on-going dialogue with the Group's lenders around recent announcements regarding its Retail business and has done so with the banks full support.

The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

### Changes in accounting policy and disclosures

New standards, amendments and interpretations not yet adopted

IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014. Subject to EU endorsement, it is effective for accounting periods beginning on or after 1 January 2018.

IFRS 9 'Financial Instruments' and IFRS 16 'Leases', are effective for periods beginning on or after 1 January 2018 and 1 January 2019 respectively, subject to EU endorsement.

The Group falls within the scope of these standards and we are assessing the likely impact of these standards on the Group's financial statements.

Other standards and interpretations or amendments thereto which have been issued, but are not yet effective, are not expected to have a material impact on the Group's consolidated financial statements.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 1) ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chief operating decision maker who is responsible for allocating resources and assessing the performance of the operating segments has been identified as the steering committee that makes strategic decisions.

### Property, plant and equipment

Property, plant and equipment 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, 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 | Life of lease |
| Plant and machinery | 5% - 33.3% p.a. straight line |
| Vehicles | 20% - 25% p.a. straight line |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 1) ACCOUNTING POLICIES *(Continued)*

### Impairment of property, plant and equipment

Property, plant and equipment are reviewed to determine whether its value appears to be impaired. Where an item of property, plant and equipment 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.

### Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash-generating unit (CGU) containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### Investment properties

Investment properties are initially recognised at cost plus any transaction costs arising on the acquisition. Costs incurred after acquisition are recognised until the property is the condition to be used as intended by management. Subsequent to this, investment properties are recognised at their fair value with movements in fair value being recognised in profit or loss.

### Financial instruments

The Group uses certain financial instruments in its operating and investing activities that are deemed appropriate for its strategy and circumstances

Financial instruments recognised on the Consolidated Balance Sheet include cash and cash equivalents, trade receivables, trade payables and borrowings. Financial assets and liabilities are recognised on the Consolidated Statement of Financial Position when the Company has become a party to the contractual provisions of the instrument.

**Loans and receivables**

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Consolidated Balance Sheet. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are shown inclusive of unbilled amounts to customers and of payments made in advance by customers, reflecting the underlying nature of customer account balances.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 1) ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses.

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Details of the Group's equity are included in note 25.

The Group used derivative contracts as part of its grain trading operations that were disposed of in the prior year. No derivatives were in place at 30 November 2016 or 30 November 2015.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using an average costing method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected within one year or less, they are classified as current assets.

### Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

### Borrowings

Borrowings are recognised initially at fair value, net of transaction cost incurred.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 1) ACCOUNTING POLICIES *(Continued)*

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising in investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

### Borrowing Costs

The Group expenses borrowing costs in the period the costs are incurred. Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset. Details of the Group's borrowings are included in note 22.

### Employee benefits - Pension obligations

The group operates two pension schemes, a defined contribution scheme and a hybrid scheme containing both deferred benefit and deferred contribution sections. All schemes are funded with the assets being held by the Trustees separately from the assets of the Group.

**Defined contribution pension schemes**
For the defined contribution scheme and the deferred contribution element of the hybrid scheme, the amount charged to the profit and loss account represents the contributions payable to the plans in the accounting period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Defined benefit pension scheme**
The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 1) ACCOUNTING POLICIES *(Continued)*

### Employee benefits - Pension obligations *(Continued)*

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

### Share based payments

As set out in note 27, the group operates a Long Term Incentive Plan for certain key executives who are eligible to receive nil cost share awards at the end of the 2 and 4 year vesting period subject to certain performance conditions.

In addition, the group has set up a Savings Related Share Option Scheme that was made available to all employees which allows members to purchase shares in the company at a discounted price at the end of the 3 year vesting period. This scheme vested in the current year.

The fair value of all the options issued are recognised as an expense in the profit and loss account over the vesting period of the option.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates , if any, in the income statement, with a corresponding adjustment to equity.

### Employee Share Ownership Plan (ESOP)

The group operates an ESOP trust which is used to hold shares in the company in advance of their distribution under employee incentive schemes. The trust is consolidated into these financial statements with the holdings in the company's own shares being treated as a deduction from shareholders' funds.

### Revenue

Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

### Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch and delivery of the goods.

### Income from investments
Income from investments is included in the financial statements when the amounts are received.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 1) ACCOUNTING POLICIES *(Continued)*

### Leases

Leases in which a significant portion of the risks and rewards of ownership are not tranferred to the Group are operating leases and are charged to the income statement on a straight line basis over the lease term.

Leasing agreements which transfer substantially all the benefits and risks of ownership of an asset to the Group are treated as if the asset had been purchased outright. The assets are included in property, plant and equipment 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 to the income statement in proportion to the reducing capital element outstanding.

### Investments

The Group's investments are stated at the lower of cost and net realisable value.

### Provisions

Provisions are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2) 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 continuously monitored by Executive Directors.

### Price Risk

The Group is exposed to commodity price risk, principally for raw materials in its LPG business which enters into contracts to manage the impacts of price movements on its gross margin. The use of these contracts is not speculative and is governed by a trading policy agreed by the Board and monitored by the executive Directors. This policy was reviewed in the period in the context of growing the LPG business. The control environment is considered to be effective given the size and nature of the risks involved, but will be subject to ongoing review as that area of the business develops.

### Credit Risk

Relevant credit checks are performed on potential customers before any sale is committed. The amount of exposure to any individual customer is controlled by means of a credit limit that is set and monitored by the business operating within a Board approved credit policy. The business does not maintain credit insurance on its customers. This is considered appropriate given the size and nature of the risk involved, but will be reviewed in future if circumstances change.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## Liquidity Risk

The Group actively maintains a mixture of long and short term debt finance, which is designed to ensure that the business has access to sufficient available funds for ongoing capital needs as well as planned capital investment and expansion. The amount of debt finance is reviewed at least annually by the Directors. Bank facilities are detailed in note 22.

## Interest rate risk

The Group has interest bearing debt liabilities which are detailed in note 22 to these accounts. Given the current level of interest rates and the outlook for the next few years, the Board has assessed the short term risk of interest rate increases low and have decided not to take out hedging arrangements.

## Capital risk

The Group manages its capital to ensure that the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains consistent with the prior period.

The capital structure of the Group consists of net debt disclosed in the notes to the cash flow statement and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in note 25 and the Consolidated Statement of Changes in Equity. The Group's Board of Directors reviews the capital structure on an annual basis. The group is not subject to any externally imposed capital requirement.

## 3) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates, judgements and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

## Property, plant & equipment - valuation and depreciation

The Group exercises judgement and takes appropriate external advice in assessing the market value of its property portfolio which is revalued on an ongoing basis. The latest full valuation was undertaken at 30 November 2015. Judgement is also taken in determining useful lives and residual values of all classes of property, plant and equipment. The assets are depreciated down to their residual values over their estimated useful lives.

## Inventories

Inventories are carried at the lower of cost and net realisable value and a degree of judgement is applied when estimating the impact on the carrying value of inventories of factors such as slow moving items, shrinkage, damage and obsolescence. The quantity, age and condition of inventories are regularly measured and assessed as part of range reviews and inventory counts undertaken throughout the year.

## Post-employment benefits

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds and the net deficit or surplus position. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 4) SEGMENTAL REPORTING

The board of directors is the group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance.

The board of directors considers the business from a sales channel perspective, being Direct Sales (the Rural Energy - LPG and Turf & Amenity businesses) and Retail.

Geographically, the Group only operates in the UK.

The board of directors assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes discontinued operations and the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

The measure also excludes the effects of equity-settled share-based payments and unrealised gains/ losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

| | Year ended 30 November 2016 | | | | |
|---|---|---|---|---|---|
| | Turnover 2016 £000s | Operating Profit/(Loss) 2016 £000s | Operating Assets 2016 £000s | Operating liabilities 2016 £000 | Net Operating Assets 2016 £000 |
| Direct Sales | 17,960 | 2,492 | 12,421 | (2,925) | 9,496 |
| Retail | 116,302 | (7,825) | 53,606 | (15,799) | 37,807 |
| Corporate | - | (1,847) | 11,305 | (4,664) | 6,641 |
| | 134,262 | (7,180) | 77,332 | (23,388) | 53,944 |
| Exceptional administrative costs (note 6) | - | (1,214) | | | |
| Group Total | 134,262 | (8,394) | | | |
| Finance costs - net (note 8a) | | (483) | | | |
| Other finance expense (note 8b) | | (1,131) | | | |
| Loss before tax | | (10,008) | | | |

| **Reconciliation of Net Operating Assets to the Balance Sheet** | **£000** |
|---|---|
| Net Operating Assets per segments | 53,944 |
| Less Borrowings | (21,403) |
| Add Corporation and Deferred Tax | 4,255 |
| Less Members Retirement Scheme (note 23) | (282) |
| Less Pension Liability (note 28) | (29,882) |
| Net Assets as at 30 November 2016 | 6,632 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 4) SEGMENTAL REPORTING *(Continued)*

| | 18 months ended 30 November 2015 | | | | |
|---|---|---|---|---|---|
| | Turnover 2015 £000 | Operating Profit/(Loss) 2015 £000 | Operating Assets 2015 £000 | Operating Liabilities 2015 £000 | Net Operating Assets 2015 £000 |
| Direct Sales | 28,400 | 5,210 | 12,838 | (1,564) | 11,274 |
| Retail | 141,168 | (5,344) | 56,926 | (18,894) | 38,032 |
| Corporate | - | (3,813) | 9,515 | (2,380) | 7,135 |
| | 169,568 | (3,947) | 79,279 | (22,838) | 56,441 |
| Exceptional administrative costs (note 6) | - | (834) | | | |
| Group Total | 169,568 | (4,781) | | | |
| Finance costs - net (note 8a) | | (757) | | | |
| Other finance expenses (note 6) | | (2,055) | | | |
| Loss before tax | | (7,593) | | | |

| Reconciliation of Net Operating Assets to the Balance Sheet | £000 |
|---|---|
| Net Operating Assets per segments | 56,441 |
| Less Borrowings | (12,157) |
| Less Corporation and Deferred tax | 1,821 |
| Less Members Retirement Scheme (note 23) | (306) |
| Less Pension Liability (note 28) | (19,413) |
| Net Assets as at 30 November 2015 | 26,386 |

The Group operates and trades only in the United Kingdom.

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

In 2015, the segment analysis of turnover, operating profit and net assets for Direct Sales includes turnover of £150,723,000, operating profit of £897,000 and net assets £6,705,000 in respect of the sale of Livestock Feed and Forage, Arable Products and Crop Marketing that were disposed of during 2015.

In 2015, the segment analysis of turnover, operating profit and net assets for the Retail segment includes £4,767,000 turnover and £176,000 operating loss relating to the acquisition of the trade and assets of Cornwall Farmers on 11 September 2015 to 30 November 2015.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 5a) EXPENSES

| | Year ended 30 November 2016 Group £000 | 18 months ended 30 November 2015 Group £000 |
|---|---|---|
| Inventories charged as an expense | 89,476 | 117,131 |
| Employee benefit expense (note 7) | 25,635 | 33,267 |
| Depreciation | 4,485 | 4,924 |
| Operating lease charges | 6,249 | 7,205 |

## 5b) AUDITORS REMUNERATION

During the year, the Group obtained the following services from the company's auditors:

| | Year ended 30 November 2016 Group £000 | 18 months ended 30 November 2015 Group £000 |
|---|---|---|
| Audit of the Parent Company and consolidated financial statements | 59 | 65 |
| Fees payable to the Company's auditors for other services: | | |
| Tax advisory services | 77 | 50 |
| Other | 86 | 89 |
| | 222 | 204 |

In the period £26,000 (2015: £73,000) of fees were payable to the auditors for project assurance work which were capitalised as part of the IT system implementation

## 6) EXCEPTIONAL ADMINISTRATIVE ITEMS

| | Year ended 30 November 2016 Group £000 | 18 months ended 30 November 2015 Group £000 |
|---|---|---|
| Restructuring costs | 170 | 449 |
| IT system implementation | 529 | 216 |
| Cornwall Farmers integration and acquisition costs | 515 | 169 |
| | 1,214 | 834 |

Restructuring costs relate to severance costs on restructuring. IT system implementation costs relate to staff costs of implementing Microsoft Dynamics AX. Cornwall Farmers integration costs relate to the transfer of Cornwall Farmers data, processes and finance systems onto Countrywide systems.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 7) EMPLOYEE BENEFIT EXPENSE

| Group | Year ended 30 November 2016 £000 | 18 months ended 30 November 2015 £000 |
|---|---|---|
| Wages and salaries | 23,185 | 29,868 |
| Social security costs | 1,957 | 2,724 |
| Other pension costs | 398 | 614 |
| Share based payments | 95 | 61 |
| Total employee benefit expense | 25,635 | 33,267 |

Average number of people employed

| | Full Time Equivalent 2016 Number | Full Time Equivalent 2015 Number | Headcount 2016 Number | Headcount 2015 Number |
|---|---|---|---|---|
| Direct | 119 | 103 | 117 | 108 |
| Retail | 798 | 816 | 984 | 1,018 |
| Total number of employees | 917 | 919 | 1,101 | 1,126 |

| **Remuneration of Directors** | **Year ended 30 November 2016 Group £000** | **18 months ended 30 November 2015 Group £000** |
|---|---|---|
| Aggregate emoluments (including benefits in kind) | | |
| Salary, fees and benefits in kind | 680 | 831 |
| Compensation for loss of office | 100 | - |
| Performance related bonuses | - | 60 |
| Contribution to defined contribution pension scheme | 16 | 14 |
| **Total directors remuneration** | **796** | **905** |

No retirement benefits are accruing to any Directors under the hybrid Countrywide Farmers Retirement Benefit Scheme (2015: one). No retirement benefits are accruing to any remaining director under the Countrywide Farmers Money Purchase Scheme (2015: one director).

Aggregate emoluments (excluding pension contributions) include amounts paid to:

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Highest paid Director | | |
| Emoluments (including performance related bonus) | 230 | 400 |
| Defined benefit pension scheme: | | |
| Accrued pension at end of period | - | 45 |
| Employers pension contribution | - | 14 |
| | 230 | 459 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 8a) FINANCE INCOME AND COSTS

| | Group Year ended 30 November 2016 £000 | Group 18 months ended 2015 30 November 2015 £000 |
|---|---|---|
| **Interest Receivable** | | |
| Interest receivable | 1 | 1 |
| **Interest Payable and similar charges** | | |
| Interest payable on bank loans and overdrafts | 481 | 507 |
| Interest on invoice discounting finance | - | 240 |
| Interest payable on finance leases | 3 | 11 |
| | 484 | 758 |

## 8b) OTHER FINANCE EXPENSE

| | Group Year ended 30 November 2016 £000 | Group 18 months ended 30 November 2015 £000 |
|---|---|---|
| Other finance expense - pension scheme (note 28) | 1,131 | 2,055 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 9) TAXATION

| | Year ended 30 November 2016 Group £000s | 18 months ended 30 November 2015 Group £000s |
|---|---|---|
| **Current tax** | | |
| United Kingdom corporation tax at 20% (2015: 20.56%) | (113) | 524 |
| Adjustments in respect of previous years | (174) | (158) |
| Current tax (credit)/charge | (287) | 366 |
| Deferred tax: (note 24) | | |
| Current year charge | 88 | 296 |
| Effect of decrease in tax rate | (14) | (36) |
| Adjustments in respect of previous years | 127 | - |
| | 201 | 260 |
| **Tax on profit on ordinary activities** | (86) | 626 |

**Factors affecting tax charge for the year**
The tax for the period is higher (2015: higher) than the effective rate of Corporation tax in the UK for the period ended 30 November 2016 of 20% (2015:20.56%). The differences are explained below:

| | Group 2016 £000s | Group 2015 £000s |
|---|---|---|
| (Loss)/Profit on ordinary activities before taxation | (10,339) | 1,989 |
| (Loss)/Profit on ordinary activities at the standard rate in the UK of 20% (2015: 20.56%) | (2,068) | 409 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 233 | 403 |
| Differences between book gains and taxable gains | (39) | 45 |
| Deferred tax not recognised | 1,631 | - |
| Tax of group company at marginal rates | (4) | 5 |
| Re-measurement of deferred tax - change in tax rates | 208 | (78) |
| Adjustments to tax charge in respect of previous period | (47) | (158) |
| **Tax (credit)/charge for the period** | (86) | 626 |

**Factors that may affect future tax charges**

The UK main corporation tax rate is to be reduced from 20% to 19% with effect from 1 April 2017 and 17% from 1 April 2020. The relevant deferred tax balances have been re-measured accordingly.

## 10) PROFITS OF HOLDING COMPANY

The Parent Company has not presented its own profit and loss account as permitted by Section 408, of the Companies Act 2006. The amount of the loss for the period attributable to the Company is £10,545,000 (2015: £608,000 profit).

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 11) INVESTMENTS

The amounts recognised in the balance sheet are as follows:

| Group | Other investments £000 |
|---|---|
| **Cost at 1 June 2014** | 123 |
| Disposals | (80) |
| **At 30 November 2015** | 43 |
| Impairment | (40) |
| **At 30 November 2016** | 3 |

| Company | Investments in subsidiary companies £000 | Other investments £000 | Total £000 |
|---|---|---|---|
| **Cost at 1 June 2014** | 690 | 123 | 813 |
| Impairment | (450) | (80) | (530) |
| **At 30 November 2015** | 240 | 43 | 283 |
| Impairment | - | (40) | (40) |
| **At 30 November 2016** | 240 | 3 | 243 |

The Company has written down its investment of £40,000 in WFS Border Limited during the year.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

**Audit exemption**
In accordance with the Companies Act 2006, the group has taken advantage of the exemption afforded to certain subsidiary companies to be audited. Countrywide Farmers plc has given a guarantee to its subsidiary MSF Welland Valley Feeds Limited under section 479 a.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 12) SUBSIDIARIES

The Group had the following subsidiaries at 30 November 2016:

| | Nature of business | Type of shares | Country of registration | % Share holding | Reporting date |
|---|---|---|---|---|---|
| **Subsidiary undertakings** | | | | | |
| MSF Welland Valley Feeds Limited | Inputs to farming trade | £1 ordinary | England | 80% | 30 November |

Countrywide Farmers plc also holds 100% of the share capital unless otherwise stated, of the following dormant subsidiary companies:

Chepstow Farmers Limited
Countrywide Farmers Retail Limited
Countrywide Farmers Stores Limited (50% holding)
Countrywide LP Gas Limited
Lidstone Midwinter Holdings Limited
MSF (Property) Limited
Neway Datacare Limited
Passey Nott & Company Limited
Porthouse Farms Limited
Countrykeeper Ltd
MB 2000 Limited
West Midland Farmers Limited
Wiltshire Farmers Limited
H E Pringle Ltd
S.M.Hackett & Son Limited

All of the above subsidiary companies are registered in England at the address below:

Countrywide House
Asparagus Way
Vale Park
Evesham
Worcestershire
WR11 1GN

## 13) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

| | Year ended 30 November 2016 £000 | 18 months ended 30 November 2015 £000 |
|---|---|---|
| Loss from continuing operations attributable to owners of the parent | (9,991) | (8,317) |
| (Loss)/Profit from discontinued operations attributable to owners of the parent | (331) | 9,582 |
| **Total** | (10,322) | 1,265 |
| Weighted average number of ordinary shares in issue (thousands) | 32,825 | 32,825 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 14) PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold Land and Buildings £000 | Leasehold Property £000 | Plant and Machinery £000 | Vehicles £000 | Total £000 |
|---|---|---|---|---|---|
| **At 1 June 2014** | | | | | |
| Cost or valuation | 27,709 | 1,905 | 43,830 | 1,400 | 74,844 |
| Accumulated depreciation | (8,864) | (1,475) | (28,382) | (854) | (39,575) |
| Net book value | 18,845 | 430 | 15,448 | 546 | 35,269 |
| | | | | | |
| **18 months ended 30 November 2015** | | | | | |
| **Opening net book value** | 18,845 | 430 | 15,448 | 546 | 35,269 |
| Additions | 10 | 232 | 7,941 | 75 | 8,258 |
| Acquisitions | - | - | 1,383 | - | 1,383 |
| Disposals | (19) | - | (285) | (28) | (332) |
| Revaluation | 3,523 | - | - | - | 3,523 |
| Depreciation charge | (572) | (138) | (3,934) | (280) | (4,924) |
| Closing net book value | 21,787 | 524 | 20,553 | 313 | 43,177 |
| | | | | | |
| **At 30 November 2015** | | | | | |
| Cost or valuation | 31,186 | 1,840 | 45,774 | 1,221 | 80,021 |
| Accumulated depreciation | (9,399) | (1,316) | (25,221) | (908) | (36,844) |
| Net book value | 21,787 | 524 | 20,553 | 313 | 43,177 |
| | | | | | |
| **Year ended 30 November 2016** | | | | | |
| **Opening net book value** | | | | | |
| At 1 December 2015 | 21,787 | 524 | 20,553 | 313 | 43,177 |
| Additions | 490 | 40 | 3,185 | 16 | 3,731 |
| Disposals | - | (29) | (278) | (13) | (320) |
| Depreciation charge | (388) | (81) | (3,875) | (141) | (4,485) |
| **Closing net book value** | 21,889 | 454 | 19,585 | 175 | 42,103 |
| | | | | | |
| **At 30 November 2016** | | | | | |
| Cost or valuation | 31,674 | 1,848 | 48,500 | 924 | 82,946 |
| Accumulated depreciation | (9,785) | (1,394) | (28,915) | (749) | (40,843) |
| Net book value | 21,889 | 454 | 19,585 | 175 | 42,103 |

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

| | 2016 £000s | 2015 £000s |
|---|---|---|
| Cost | 101 | 171 |
| Aggregate Depreciation | (100) | (135) |
| Net book value at end of period | 1 | 36 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 14) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

**Fair values of Land and Buildings**

| | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|---|---|---|---|---|
| **Analysis of land and buildings at cost or valuation** | | | | |
| At cost | 18,398 | 17,910 | 18,347 | 17,879 |
| At valuation | 13,276 | 13,276 | 13,276 | 13,276 |
| | 31,674 | 31,186 | 31,623 | 31,155 |

The Group's freehold properties were revalued at 30 November 2015 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 using observable market data.

As such, all property fair values are determined at level 2 in this fair value hierarchy.

Deferred tax has been provided on timing differences arising from the revaluation of fixed assets.

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

| | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|---|---|---|---|---|
| **Freehold and long leasehold land and buildings** | | | | |
| At cost | 18,398 | 17,910 | 18,347 | 17,879 |
| Accumulated depreciation | (9,785) | (9,399) | (9,766) | (9,382) |
| Net book value | 8,613 | 8,511 | 8,581 | 8,497 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 14) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

| Company | Freehold Land and Buildings £000 | Leasehold Property £000 | Plant and Machinery £000 | Vehicles £000 | Total £000 |
|---|---|---|---|---|---|
| At 1 June 2014 | | | | | |
| Cost or valuation | 27,678 | 1,907 | 43,619 | 1,340 | 74,544 |
| Accumulated depreciation | (8,851) | (1,474) | (28,270) | (815) | (39,410) |
| Net book value | 18,827 | 433 | 15,349 | 525 | 35,134 |
| **18 months ended 30 November 2015** | | | | | |
| **Opening net book value** | 18,827 | 433 | 15,349 | 525 | 35,134 |
| Additions | 10 | 232 | 7,941 | 75 | 8,258 |
| Acquisitions | - | - | 1,383 | - | 1,383 |
| Disposals | (19) | - | (285) | (28) | (332) |
| Revaluation | 3,523 | - | - | - | 3,523 |
| Depreciation charge | (568) | (138) | (3,906) | (274) | (4,886) |
| **Closing net book value** | 21,773 | 527 | 20,482 | 298 | 43,080 |
| **At 30 November 2015** | | | | | |
| Cost or valuation | 31,155 | 1,842 | 45,563 | 1,192 | 79,752 |
| Accumulated depreciation | (9,382) | (1,315) | (25,081) | (894) | (36,672) |
| Net book value | 21,773 | 527 | 20,482 | 298 | 43,080 |
| **Year ended 30 November 2016** | | | | | |
| **Opening net book value** | | | | | |
| At 1 December 2015 | 21,773 | 527 | 20,482 | 298 | 43,080 |
| Additions | 469 | 39 | 3,184 | 16 | 3,708 |
| Disposals | - | (29) | (278) | (4) | (311) |
| Depreciation charge | (385) | (81) | (3,855) | (140) | (4,461) |
| **Closing net book value** | 21,857 | 456 | 19,533 | 170 | 42,016 |
| **At 30 November 2016** | | | | | |
| Cost or valuation | 31,623 | 1,847 | 48,289 | 909 | 82,668 |
| Accumulated depreciation | (9,766) | (1,391) | (28,756) | (739) | (40,652) |
| Net book value | 21,857 | 456 | 19,533 | 170 | 42,016 |

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

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Cost | 101 | 171 |
| Aggregate Depreciation | (100) | (135) |
| Net book value at end of period | 1 | 36 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 15) INVESTMENT PROPERTIES

**Group and Company**

| | 2016 | 2015 |
|---|---|---|
| | £000 | £000 |
| Non-current assets - at fair value | | |
| At beginning of period | 520 | 468 |
| Increase in the period | - | 52 |
| At 30 November | 520 | 520 |

**Amounts recognised in income statement for investment properties**

| **Group and Company** | Year ended 30 November 2016 | 18 months ended 30 November 2015 |
|---|---|---|
| | £000 | £000 |
| Rental income | 70 | 105 |

**Leasing arrangements**

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

| | 2016 | 2015 |
|---|---|---|
| | £000 | £000 |
| Within one year | 72 | 70 |
| Between one and five years | 308 | 300 |
| After five years | 166 | 245 |
| | 546 | 615 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 16) FAIR VALUE HIERARCHY OF NON-FINANCIAL ASSETS

The following table presents the Group and Company financial assets and liabilities that are measured at fair value, by valuation method, at 30 November 2016.

| Assets | Note | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Non-Financial assets at fair value through profit or loss** | | | | | |
| Investment properties | 15 | - | 520 | - | 520 |
| **Total assets** | | - | 520 | - | 520 |

There were no liabilities measured at fair value during the year.

The following table presents the Group and Company financial assets and liabilities that are measured at fair value, by valuation method, at 30 November 2015.

| Assets | Note | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Non-Financial assets at fair value through profit or loss** | | | | | |
| Investment properties | 15 | - | 520 | - | 520 |
| **Total assets** | | - | 520 | - | 520 |

**Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Investment properties were valued on an existing use basis by independent qualified valuers using observable market data for similar properties in similar geographical locations.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 17) INTANGIBLE ASSETS

**Goodwill**

| | Group £000 | Company £000 |
|---|---|---|
| **At 1 June 2014** | 1,978 | 1,978 |
| Additions | 433 | 433 |
| Disposals | (1,435) | (1,435) |
| Adjustment to deferred consideration | (106) | (106) |
| **At 30 November 2015 and 30 November 2016** | 870 | 870 |

**Impairment tests for goodwill**

Goodwill is wholly attributable to the Retail business of the Group with the majority relating to the prior year acquisition of Cornwall Farmers.

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which requires the use of assumptions. The calculations use cash flow forecasts based on financial budgets approved by management covering a two-year period. No growth is assumed post this period. Where the recoverable amount is less than the carrying value, an impairment results.

The results of this impairment testing indicated that no charge for impairment was required in the current year (2015: £nil). A discount rate of 12% is used within the assessment.

**Goodwill sensitivity analysis**

The results of the Group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the performance of the retail stores. Sensitivity analysis to potential changes in key assumptions has therefore been reviewed and there are no reasonably possible changes to key assumptions that would cause the carrying amount of the goodwill to exceed its recoverable amount.

## 18) INVENTORIES

| | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|---|---|---|---|---|
| Finished goods | 22,587 | 22,896 | 22,194 | 22,517 |

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £89,476,000 (2015: £117,131,000).

During the year, the Group increased inventory provisions by £730,000 to £1,943,000 (2015: provision £1,213,000).

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 19) FINANCIAL ASSETS AND LIABILITIES

The Group holds the following financial instruments:

| **Financial assets** | | **Financial assets at amortised cost** | **Total** |
|---|---|---|---|
| | | **£'000** | **£'000** |
| **2016** | | | |
| Trade and other receivables* | 20 | 8,024 | 8,024 |
| Amounts due on sale of businesses | 20 | 300 | 300 |
| | | 8,324 | 8,844 |
| 2015 | | | |
| Trade and other receivables* | 20 | 7,372 | 7,372 |
| Amounts due on sale of businesses | 20 | 1,265 | 1,265 |
| | | 8,637 | 8,637 |

*excluding prepayments

| **Financial liabilities** | | **Financial liabilities at amortised cost** |
|---|---|---|
| | | **£'000** |
| **2016** | | |
| Trade and other payables** | 21 | 20,291 |
| Borrowings | 22 | 21,403 |
| | | 41,694 |
| 2015 | | |
| Trade and other payables** | 21 | 22,327 |
| Deferred consideration for acquisitions | 21 | 250 |
| Borrowings | 22 | 12,157 |
| | | 34,734 |

**excluding non-financial liabilities

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 19) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

The Company holds the following financial instruments:

| **Financial assets** | | **Financial assets at amortised cost** | **Total** |
|---|---|---|---|
| | | **£'000** | **£'000** |
| **2016** | | | |
| Trade and other receivables* | 20 | 7,901 | 7,901 |
| Amounts due on sale of businesses | 20 | 300 | 300 |
| | | 8,201 | 8,201 |
| 2015 | | | |
| Trade and other receivables* | 20 | 7,275 | 7,275 |
| Amounts due on sale of businesses | 20 | 1,265 | 1,265 |
| | | 8,540 | 8,540 |

*excluding prepayments

| **Financial liabilities** | | **Financial liabilities at amortised cost** |
|---|---|---|
| | | **£'000** |
| **2016** | | |
| Trade and other payables** | 21 | 19,993 |
| Borrowings | 22 | 23,105 |
| | | 43,098 |
| 2015 | | |
| Trade and other payables** | 21 | 22,037 |
| Deferred consideration for acquisitions | 21 | 250 |
| Borrowings | 22 | 13,694 |
| | | 35,981 |

** excluding non-financial liabilities

**Liquidity analysis of financial liabilities**

| | At 30 November 2016 | | | |
|---|---|---|---|---|
| **Group** | **Up to 3 months** | **Between 3 & 12 months** | **Between 1 & 5 years** | **More than 5 years** |
| | **£000** | **£000** | **£000** | **£000** |
| Bank overdraft | 1,488 | - | - | - |
| Bank loans | - | - | 19,914 | - |
| Finance lease liabilities | - | 1 | - | - |
| Trade and other payables excluding non-financial liabilities | 20,291 | - | - | - |
| | 21,779 | 1 | 19,914 | - |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 19) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

**Liquidity analysis of financial liabilities** *(Continued)*

| | At 30 November 2015 | | | |
|---|---|---|---|---|
| **Group** | **Up to 3 months** | **Between 3 & 12 months** | **Between 1 & 5 years** | **More than 5 years** |
| | **£000** | **£000** | **£000** | **£000** |
| Bank overdraft | 1,745 | - | - | - |
| Bank loans | - | - | 10,387 | - |
| Finance lease liabilities | - | 24 | 1 | - |
| Deferred consideration | | 250 | - | |
| Trade and other payables excluding non-financial liabilities | 22,327 | - | - | - |
| | 24,072 | 274 | 10,388 | - |

| | At 30 November 2016 | | | |
|---|---|---|---|---|
| **Company** | **Up to 3 months** | **Between 3 & 12 months** | **Between 1 & 5 years** | **More than 5 years** |
| | **£000** | **£000** | **£000** | **£000** |
| Bank overdraft | 3,190 | - | - | - |
| Bank loans | - | - | 19,914 | - |
| Finance lease liabilities | - | 1 | - | - |
| Trade and other payables excluding non-financial liabilities | 19,993 | - | - | - |
| | 23,183 | 1 | 19,914 | - |

| | At 30 November 2015 | | | |
|---|---|---|---|---|
| **Company** | **Up to 3 months** | **Between 3 & 12 months** | **Between 1 & 5 years** | **More than 5 years** |
| | **£000** | **£000** | **£000** | **£000** |
| Bank overdraft | 3,282 | - | - | - |
| Bank loans | - | - | 10,387 | - |
| Finance lease liabilities | - | 24 | 1 | - |
| Deferred consideration | | 250 | - | |
| Trade and other payables excluding non-financial liabilities | 22,037 | - | - | - |
| | 25,319 | 274 | 10,388 | - |

**Credit quality of financial assets**

All other trade and other receivables are expected to be recovered within 12 months of the balance sheet date. The fair value of all other trade and other receivables is the same as the carrying values shown above.

The carrying value of trade receivables represents the maximum exposure to credit risk. No collateral is held as security.

No credit limits were substantially exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 20) TRADE AND OTHER RECEIVABLES

| | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|---|---|---|---|---|
| Trade receivables | 7,762 | 7,562 | 7,662 | 7,489 |
| Less: provision for impairment of trade receivables | (409) | (390) | (408) | (389) |
| Net Trade receivables | 7,353 | 7,172 | 7,254 | 7,100 |
| Other receivables | 671 | 200 | 647 | 175 |
| Amounts owed by group undertakings | - | - | 1,514 | 1,594 |
| Amounts due on sale of businesses | 300 | 1,265 | 300 | 1,265 |
| Prepayments and accrued income | 2,924 | 3,601 | 2,900 | 3,576 |
| Total current trade and other receivables | 11,248 | 12,238 | 12,615 | 13,710 |

All balances are included within current assets

At at 30 November 2016, Group and company trade receivables of £6,319,000 were fully performing (2015: £6,555,000)

As at 30 November 2016, Group and company trade receivables of £234,000 were past due but not impaired (2015: £814,000). The ageing analysis of these trade receivables is as follow:

| | 2016 £000 | 2015 £000 |
|---|---|---|
| 0-30 days | 118 | 320 |
| 31-60 days | 94 | - |
| 61-90 days | 1 | 494 |
| Over 90 days | 21 | - |
| | 234 | 814 |

As at 30 November 2016, Group and company trade receivables of £1,209,000 were impaired (2015: £1,058,000). The ageing analysis of these trade receivables is as follow:

| | 2016 £000 | 2015 £000 |
|---|---|---|
| 0-30 days | - | 4 |
| 31-60 days | 395 | 307 |
| 61-90 days | 257 | 169 |
| Over 90 days | 557 | 578 |
| | 1,209 | 1,058 |

Movement on the provision for impaired receivables are as follows:

| | Group £000 | Company £000 |
|---|---|---|
| At 1 June 2014 | 878 | 876 |
| Provision for receivables impairment | 304 | 304 |
| Receivables written off during the period as uncollectable | (309) | (308) |
| Unused amounts reversed | (483) | (483) |
| At 30 November 2015 | 390 | 389 |
| Provision for receivables impairment | 172 | 172 |
| Receivables written off during the periods uncollectable | (17) | (17) |
| Unused amounts reversed | (136) | (136) |
| At 30 November 2016 | 409 | 408 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 21) TRADE AND OTHER PAYABLES

| | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|---|---|---|---|---|
| **Current** | | | | |
| Trade payables | 13,729 | 15,783 | 13,457 | 15,525 |
| Accruals and deferred income | 6,562 | 6,544 | 6,536 | 6,512 |
| Amounts owed to subsidiary companies | - | - | 19 | - |
| Other payables including taxation and social security | 3,096 | 726 | 3,080 | 702 |
| Deferred consideration for acquisitions | - | 250 | - | 250 |
| | 23,387 | 23,303 | 23,092 | 22,989 |

## 22) OTHER INTEREST BEARING LOANS AND BORROWINGS

| | Group At 30 November 2016 £000 | Group At 30 November 2015 £000 | Company At 30 November 2016 £000 | Company At 30 November 2015 £000 |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Bank overdraft | 1,488 | 1,745 | 3,190 | 3,282 |
| Finance lease liabilities | 1 | 24 | 1 | 24 |
| | 1,489 | 1,769 | 3,191 | 3,306 |
| **Non-current liabilities** | | | | |
| Bank borrowings | 19,914 | 10,387 | 19,914 | 10,387 |
| Finance lease liabilities | - | 1 | - | 1 |
| | 19,914 | 10,388 | 19,914 | 10,388 |
| **Total liabilities** | 21,403 | 12,157 | 23,105 | 13,694 |

**Banking facilities**

The Group's principal bankers are HSBC Bank plc and the following facilities are in place:
(1) Revolving Credit Facility of £20,000,000 repayable in full on 30 September 2018 bearing interest at 1.85% above LIBOR.
(2) An overdraft facility of £5,000,000 bearing interest of 1.6% above HSBC Bank Base rate.

**Fair value of borrowings**

The fair value of borrowing is approximately the same as their book value.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 22) OTHER INTEREST BEARING LOANS AND BORROWINGS *(Continued)*

**Maturity Statement**

| **Group** | **Bank At 30 November 2016 £000** | **Finance Leases At 30 November 2016 £000** | **Total At 30 November 2016 £000** |
|---|---|---|---|
| In one year or less, or on demand | 1,488 | 1 | 1,489 |
| In more than one year, but not more than two years | 19,914 | - | 19,914 |
| | 21,402 | 1 | 21,403 |

| | **Bank At 30 November 2015 £000** | **Finance Leases At 30 November 2015 £000** | **Total At 30 November 2015 £000** |
|---|---|---|---|
| In one year or less, or on demand | 1,745 | 24 | 1,769 |
| In more than one year, but not more than two years | - | 1 | 1 |
| In more than two years, but not more than five years | 10,387 | - | 10,387 |
| | 12,132 | 25 | 12,157 |

| **Company** | **Bank 2016 £000** | **Finance Leases 2016 £000** | **Total 2016 £000** |
|---|---|---|---|
| In one year or less, or on demand | 3,190 | 1 | 3,191 |
| In more than one year, but not more than two years | 19,914 | - | 19,914 |
| | 23,104 | 1 | 23,105 |

| | **Bank At 30 November 2015 £000** | **Finance Leases At 30 November 2015 £000** | **Total At 30 November 2015 £000** |
|---|---|---|---|
| In one year or less, or on demand | 3,282 | 24 | 3,306 |
| In more than one year, but not more than two years | - | 1 | 1 |
| In more than two years, but not more than five years | 10,387 | - | 10,387 |
| | 13,669 | 25 | 13,694 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 23) PROVISIONS

**Members' Retirement Scheme Group and Company**

| | £000 |
|---|---|
| At 1 December 2015 | 306 |
| Paid in period | (24) |
| At 30 November 2016 | 282 |

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.

During the prior year, the company contacted members of the scheme to repay amounts due to them from the scheme.

## 24) DEFERRED INCOME TAX

**Group**

| **Deferred tax liabilities** | **Capital Gains £000** |
|---|---|
| At 1 June 2014 | 644 |
| Charged to income statement | (50) |
| Charged to other comprehensive income | 154 |
| At 30 November 2015 | 748 |
| Charged to income statement | (32) |
| Charged to other comprehensive income | (48) |
| At 30 November 2016 | 668 |

| **Deferred tax assets** | **Fixed asset timing differences £000** | **Short term timing differences £000** | **Pension Liability £000** | **Losses £000** | **Total £000** |
|---|---|---|---|---|---|
| At 1 June 2014 | 760 | (245) | (4,294) | (202) | (3,981) |
| (Credited)/Charged to income statement | 35 | 161 | 218 | (108) | 306 |
| Charged to other comprehensive income | - | - | 582 | - | 582 |
| At 30 November 2015 | 795 | (84) | (3,494) | (310) | (3,093) |
| (Credited)/Charged to income statement | (31) | 49 | 215 | - | 233 |
| (Credited)/Charged to other comprehensive income | - | - | (1,950) | - | (1,950) |
| At 30 November 2016 | 764 | (35) | (5,229) | (310) | (4,810) |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 24) DEFERRED INCOME TAX *(Continued)*

**Company**

| **Deferred tax liabilities** | **Capital Gains £000** |
|---|---|
| At 1 June 2014 | 644 |
| Charged to income statement | (52) |
| Credited to other comprehensive income | 154 |
| At 30 November 2015 | 746 |
| Charged to income statement | (30) |
| Charged to other comprehensive income | (48) |
| At 30 November | 668 |

| **Deferred tax assets** | **Fixed asset timing differences £000** | **Short term timing differences £000** | **Pension Liability £000** | **Losses £000** | **Total £000** |
|---|---|---|---|---|---|
| At 1 June 2014 | 753 | (245) | (4,294) | (202) | (3,988) |
| (Credited)/Charged to income statement | 42 | 161 | 218 | (108) | 313 |
| Charged to other comprehensive income | - | - | 582 | - | 582 |
| At 30 November 2015 | 795 | (84) | (3,494) | (310) | (3,093) |
| (Credited)/Charged to income statement | (30) | 49 | 215 | - | 234 |
| (Credited)/Charged to other comprehensive income | - | - | (1,950) | - | (1,950) |
| At 30 November 2016 | 765 | (35) | (5,229) | (310) | (4,809) |

**Movement in Deferred Tax**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | **Group 2016 £000** | **Group 2015 £000** | **Company 2016 £000** | **Company 2015 £000** |
|---|---|---|---|---|
| At start of period | (2,345) | (3,337) | (2,347) | (3,344) |
| Charged to income statement | 201 | 256 | 204 | 261 |
| Charged to other comprehensive income | (1,998) | 736 | (1,998) | 736 |
| At 30 November | (4,142) | (2,345) | (4,141) | (2,347) |

In accordance with the provisions of IAS12 '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. None of the deferred tax liability will be reversing within 12 months and £35,000 is expected to crystallise within 12 months of the balance sheet date.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 25) CALLED UP SHARE CAPITAL

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Authorised | | |
| 100,000,000 (2015: 100,000,000) Ordinary shares of 50p each | 50,000 | 50,000 |
| Allotted, called up and fully paid | | |
| 32,825,267 (2015: 32,825,267) Ordinary shares of 50p each | 16,413 | 16,413 |

**Own shares**

The Group operates an Employee Benefit Trust to hold shares in the Company prior to their issue under employee share incentive schemes.

At 1 December 2015, 5,249,074 ordinary shares of 50p each were held at a cost of £1,574,000. During the year, shares were issued to a number of employees on exercise of their options held under the Save as you earn scheme. At 30 November 2016, 4,753,204 shares were held at a cost of £1,426,000.

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

## 26) NON-CONTROLLING INTEREST

The non-controlling interest exists in respect of the minority's share of the net assets of MSF Welland Valley Feeds Limited.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 27) SHARE BASED INCENTIVES

**Long Term Incentive Plan (LTIP)**

Over the last seven years, Long Term Incentive Plans have been introduced for key executives. In accordance with the scheme rules, the following conditional nil cost share awards were made to the Directors and certain members of senior management.

| | Options granted at 1 December 2015 | Options lapsed in the year | Options granted at 30 November 2016 |
|---|---|---|---|
| | No of shares | No of shares | No of shares |
| Nigel Hall | 120,000 | (120,000) | - |
| Stuart Crebo | 70,000 | - | 70,000 |
| John Elliot | 70,000 | - | 70,000 |
| Paul Freeston | 70,000 | - | 70,000 |
| John Hardman | 1,600,000 | - | 1,600,000 |
| Julie Wirth | 500,000 | - | 500,000 |
| Andrew Webb | 500,000 | (500,000) | - |
| Senior Management | 500,000 | - | 500,000 |
| Total | 3,430,000 | (620,000) | 2,810,000 |

The share options held at 1 December 2015 relate to LTIP awards granted on 31 May 2013 and 29 April 2015. The share options granted on 31 May 2013 will be released within four years of the date of the grant, subject to the occurrence of a company flotation or trade sale and to the key executives continued employment. The percentage of the award released will be dependant on the share price at flotation or sale. The options granted on 29 April 2015 will be released to coincide with those granted on 31 May 2013 and are subject to the same conditions.

The shares required to satisfy the Awards will be either existing shares held or acquired by the Company for the purpose of employee benefits.

The options which have lapsed during the period represent the release of options awarded to employees who have subsequently left the Company.

Details of the share based payment charge arising in the year are given in note 7.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 28) POST-EMPLOYMENT BENEFITS

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

**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 period ended 30 November 2016 was £228,000 (2015: £449,000).

**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 £55,000 (2015: £121,000).

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

A full actuarial valuation of the Countrywide Farmers Retirement Benefits Scheme was carried out at 5 April 2015 and has been updated to 30 November 2016 by a qualified independent actuary. The major assumptions used by the actuary in the valuation of the scheme under IAS19 are shown below.

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 2.2% and 2.8% per annum, based on CPI and RPI respectively and that after retirement, investment earnings would exceed pension increases by 1.5% and 2.0% per annum, based on CPI and RPI respectively. The market value of the assets at 5 April 2012 was £62.8 million, which represented 71% of the value of the liabilities assessed on these assumptions.

| | At 30 November 2016 | At 30 November 2015 |
|---|---|---|
| Rate of increase of pensions in payment | 3.35% | 2.90% |
| Rate of increase in deferred pensions | 2.50% | 2.10% |
| Discount rate | 3.00% | 3.80% |
| Inflation assumption - RPI | 3.50% | 3.10% |
| Inflation assumption - CPI | 2.50% | 2.10% |

Following agreement with the trustees, the deferred pension benefits are indexed in line with CPI as an inflation measure.

| | At 30 November 2016 | At 30 November 2015 |
|---|---|---|
| **Life expectancy aged 65** | | |
| Male currently aged 45 | 23.4 | 23.6 |
| Female currently aged 45 | 25.7 | 25.9 |
| Male currently aged 65 | 22.1 | 22.3 |
| Female currently aged 65 | 24.2 | 24.4 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 28) POST-EMPLOYMENT BENEFITS *(Continued)*

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

| | Value 2016 £000s | Expected rate of return | Value 2015 £000s | Expected rate of return |
|---|---|---|---|---|
| Equities/property | 40,278 | 6.17% | 38,907 | 6.06% |
| Government bonds/cash | 6,036 | 2.50% | 4,372 | 3.13% |
| Corporate bonds | 12,474 | 3.50% | 12,013 | 4.10% |
| Diversified growth fund | 17,811 | 5.50% | 18,493 | 5.70% |
| Total market value of assets | 76,599 | | 73,785 | |
| Actuarial value of liability | (106,481) | | (93,198) | |
| Deficit in the scheme | (29,882) | | (19,413) | |

**Analysis of the amount charged to finance expense:**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Expenses | 433 | 622 |
| Interest on net liability | 698 | 1,433 |
| Net expense | 1,131 | 2,055 |

**Analysis of amount recognised in statement of other comprehensive income (OCI)**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Actual return less expected return on assets | 2,457 | 1,587 |
| Experience gains on liabilities | 1,453 | 2,408 |
| Change in assumptions | (15,613) | (3,171) |
| Net (loss)/gain recognised | (11,703) | 824 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 28) POST-EMPLOYMENT BENEFITS *(Continued)*

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

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Defined benefit obligation at beginning of period | 93,198 | 92,588 |
| Interest cost | 3,459 | 5,977 |
| Benefits paid | (4,336) | (6,130) |
| Actuarial losses/(gains) on defined benefit obligation: | | |
| - Impact of experience | (1,453) | (2,408) |
| - Impact of amended financial assumptions | 16,777 | 3,171 |
| - Impact of amended mortality assumptions | (1,164) | - |
| Defined benefit obligation at end of period | 106,481 | 93,198 |

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Fair value of assets at beginning of period | 73,785 | 71,113 |
| Expected return on assets | 2,764 | 4,544 |
| Employer contributions | 2,362 | 3,293 |
| Benefits paid | (4,336) | (6,130) |
| Actuarial gains on assets | 2,457 | 1,587 |
| Expenses paid | (433) | (622) |
| Fair value of assets at end of period | 76,599 | 73,785 |

**Sensitivity Analysis**

The following table shows the impact of changes to the main assumptions:

| At 30 November 2016 | Percentage change to liability value | Addition to liability value £'000s |
|---|---|---|
| Reduce discount rate by 0.1% pa | 1.70% | 1,760 |
| Increase inflation rate by 0.1% pa | 1.00% | 1,030 |
| Add 1 year to life expectances | 3.00% | 3,195 |

Subsequent to the year end, the Company has approached the pension trustees to reschedule contributions to the schemes as a result of the ongoing strategic review of the business.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 29) OTHER RESERVES

**Group and Company**

| | Revaluation reserve £000 |
|---|---|
| At 1 June 2014 | 9,057 |
| Property revaluation | 3,575 |
| Movement on deferred tax relating to property revaluation | (154) |
| At 30 November 2015 | 12,478 |
| Movement on deferred tax relating to property revaluation | 48 |
| At 30 November 2016 | 12,526 |

## 30) LEASE COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | Land and Buildings 2016 £000 | Plant and Machinery 2016 £000 | Group 2016 £000 | Company 2016 £000 |
|---|---|---|---|---|
| Within one year | 114 | 222 | 336 | 327 |
| Within one to two years | 150 | 543 | 693 | 692 |
| Within two to five years inclusive | 2,513 | 3,168 | 5,681 | 5,611 |
| Over five years | 30,909 | 2,366 | 33,275 | 31,446 |
| | 33,686 | 6,299 | 39,985 | 38,076 |

| | Land and Buildings 2015 £000 | Plant and Machinery 2015 £000 | Group 2015 £000 | Company 2015 £000 |
|---|---|---|---|---|
| Within one year | 5 | 304 | 309 | 294 |
| Within one to two years | 257 | 630 | 887 | 885 |
| Within two to five years inclusive | 1,670 | 2,278 | 3,948 | 3,232 |
| Over five years | 31,048 | 222 | 31,270 | 31,271 |
| | 32,980 | 3,434 | 36,414 | 35,682 |

## 31) CAPITAL COMMITMENTS

| | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|---|---|---|---|---|
| Capital expenditure contracted but not provided for | 227 | 491 | 227 | 491 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 32) 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 2016 £000s | Transactions 2015 £000s | Debt at 30 November 2016 £000s | Debt at 30 November 2015 £000s |
|---|---|---|---|---|---|
| J. Elliot | Non Executive Director | 109 | 704 | 7 | - |

The Group has taken advantage available to it under IAS 24 'Related Party Disclosures' to not disclose transactions or balances between wholly owned Group entities that have been eliminated on consolidation.

During the period MSF Welland Valley Feeds Limited made purchases and received interest from Countrywide Farmers plc amounting to a net amount of £314,000 (2015: £496,000) and at 30 November 2015 Countrywide Farmers plc were owed £101,000 (2015: £9,000).

**Key management compensation**
Key management includes the executive and non-executive Directors who have authority and are responsible for planning, directing and authorising all key activities of the business. Their compensation is summarised in note 7 remuneration of Directors.

## 33) 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 30 November 2016 to £21,403,000 (2015: £12,132,000).

## 34) ULTIMATE CONTROLLING PARTY

The Company does not recognise a known ultimate controlling party, as the current share distribution gives no individual overall control over the Company.

## 35) EVENTS AFTER THE REPORTING DATE

Following the balance sheet date, the Company took the decision to close 14 of its less profitable retail stores to reduce costs and improve profitability. All 14 stores were closed by the end of March 2017 with a proportion of sales transferring to other Countrywide store locations and on line. This will result in various costs relating to the closure being recognised in the year to 30 November 2017.

As a result of the retail store closures, a maximum provision for onerous leases will be included in the financial statements for the year ended 30 November 2017. This has been based on the period to the end of each lease or contracted break point and amounts to £8,953,000. The Company is currently engaged in active discussion with interested parties at a significant number of these legacy sites with a view to mitigating these onerous lease provision requirements by year end.

The income statement will also reflect the write off of property, plant and equipment relating to the store closures amounting to £2,520,000, redundancy costs of £331,000 and other closure costs of £878,000.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## 36) TRANSITION TO IFRS

IFRS has been adopted by the company at 30 November 2016. This is the first year that the Group and Company have presented their results under IFRS. The last financial statements prepared under previous UK GAAP were for the 18 months ended 30 November 2015. The date of transition to IFRS was 1 June 2014. Set out below are the changes in accounting policies which reconcile the profit for the 18 months ended 30 November 2015 and the total equity as at 1 June 2014 and 30 November 2015 between UK GAAP as previously reported and IFRS.

**Negative Goodwill write back**
Under UK GAAP, the group balance sheet included negative goodwill with a net book value of £194,000 at 30 November 2015 relating to the acquisition of 50% of the JV with ESSO in 2008. Under IFRS negative goodwill is not recognised and existing balances have been taken straight to equity.

**Positive Goodwill amortisation write back**
Under UK GAAP, the group balance sheet included positive goodwill with a net book value of £1,090,000 which was being amortised to the profit and loss account over its expected useful life. Under IFRS accounting, positive goodwill is not amortised but is reviewed annually for impairment with impairment charges being made to the profit and loss account. Therefore the amortisation charge made in the 18 months to 30 November 2015 has been written back through the profit and loss account. Deferred taxation has been provided on the outstanding balance sheet amounts where applicable.

**Write off of Cornwall Farmers legal costs capitalised on acquisition**
Under UK GAAP, capitalisation of legal costs incurred on acquisition of a business was permissible. Legal costs of £169,000 incurred on the acquisition of Cornwall Farmers were capitalised in September 2015. Under IFRS accounting, costs of acquisition must be reflected in the income statement, therefore this cost has been written off.

**Fair Value of stock acquired with Cornwall Farmers**
Under IFRS, acquired assets and liabilities on business combinations must be recorded at fair value. The fair value of stock in a retail business is defined as the retail selling price less the sum of the costs of disposal plus a reasonable profit allowance for acquirer's selling efforts. This results in the acquired inventory being held at close to retail selling price. Stock with a value of £3,710,000 (net of provision) was acquired in September 2015. This has been increased by £335,000 to achieve fair value with the increase being offset against goodwill. It has been assumed that all stock acquired in September 2015 had sold through by 30 November 2015.

**Reclassification of deferred tax on pension deficit to non-current assets**
Under UK GAAP, the pension liability and related deferred tax were shown as a net position on the face of the balance sheet. Under IFRS, the asset and liability are shown gross and the deferred tax asset has been reclassified to non-current assets in the balance sheet.

**Deferred tax on property revaluations**
Deferred tax was not provided on property revaluations under UK GAAP unless a binding sale agreement has been entered into. Under IFRS, deferred tax must be provided on all differences between book and taxable values, therefore deferred tax has been provided on all revalued properties at the appropriate corporation tax rate for the period.

**Derivatives and Financial instruments**
Under IFRS, all derivative contracts including grain trading contracts must be recorded at fair market value at each reporting period. The contracts have a nil value under UK GAAP. This means marking to market any open derivative contracts at 1 June 2014 and 30 November 2015 with the movement being accounted for the through the income statement. As the grain trading business was disposed of during the period ended 30 November 2015, there were no open contracts at the period end date. As a result the liability of £219,000 has been recognised on the balance sheet at 1 June 2014 and has been released to the income statement in the period ended 30 November 2015. Deferred taxation has been provided on the outstanding balance sheet amounts where applicable.

**Pension Liability adjustment**
UK GAAP and IFRS accounting for the pension scheme deficit is closely aligned and there are no adjustments required regarding valuation, however there is a difference in the split of the movement in the deficit between current year income statement and statement of comprehensive income.

As these are the first set of consolidated financial statements prepared under IFRS, the following notes provide a reconciliation between the comparatives presented in these statements with those prepared under UK GAAP for the period ended 30 November 2015.

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**At 30 November 2015**

| | As originally reported | Remea-surement | As restated |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property plant and equipment | 43,697 | (520) | 43,177 |
| Investment properties | - | 520 | 520 |
| Intangible assets | 896 | (26) | 870 |
| Investments | 43 | - | 43 |
| Deferred tax asset | - | 3,093 | 3,093 |
| | 44,636 | 3,067 | 47,703 |
| **Current Assets** | | | |
| Inventories | 22,896 | - | 22,896 |
| Trade and other receivables | 12,238 | - | 12,238 |
| Cash and cash equivalents | - | - | - |
| | 35,134 | - | 35,134 |
| **Total assets** | 79,770 | 3,067 | 82,837 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 23,303 | - | 23,303 |
| Other interest bearing loans and borrowings | 1,769 | - | 1,769 |
| Current tax liabilities | 524 | - | 524 |
| | 25,596 | - | 25,596 |
| **Non-current liabilities** | | | |
| Other interest bearing loans and borrowings | 10,388 | - | 10,388 |
| Provisions for other liabilities and charges | 306 | - | 306 |
| Deferred income tax liabilities | 359 | 389 | 748 |
| Post employment benefits | 15,919 | 3,494 | 19,413 |
| | 26,972 | 3,883 | 30,855 |
| **Total liabilities** | 52,568 | 3,883 | 56,451 |
| **Total assets and liabilities** | 27,202 | (816) | 26,386 |
| **Equity attributable to equity holders of the parent** | | | |
| Ordinary share capital | 16,413 | - | 16,413 |
| Revaluation reserve | 13,276 | (798) | 12,478 |
| Retained earnings | (2,815) | (18) | (2,833) |
| **Equity attributable to owners of the parent** | 26,874 | (816) | 26,058 |
| Non-controlling interests | 328 | - | 328 |
| **Total equity** | 27,202 | (816) | 26,386 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## COMPANY STATEMENT OF FINANCIAL POSITION

**At 30 November 2015**

| | As originally reported | Remea-surement | As restated |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property plant and equipment | 43,600 | (520) | 43,080 |
| Investment properties | - | 520 | 520 |
| Intangible assets | 896 | (26) | 870 |
| Investments | 283 | - | 283 |
| Deferred tax asset | - | 3,093 | 3,093 |
| | 44,779 | 3,067 | 47,846 |
| **Current Assets** | | | |
| Inventories | 22,517 | - | 22,517 |
| Trade and other receivables | 13,710 | - | 13,710 |
| Cash and cash equivalents | - | - | - |
| | 36,227 | - | 36,227 |
| **Total assets** | 81,006 | 3,067 | 84,073 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 22,989 | - | 22,989 |
| Other interest bearing loans and borrowings | 3,306 | - | 3,306 |
| Current tax liabilities | 392 | - | 392 |
| | 26,687 | - | 26,687 |
| **Non-current liabilities** | | | |
| Other interest bearing loans and borrowings | 10,388 | - | 10,388 |
| Provisions for other liabilities and charges | 306 | - | 306 |
| Deferred income tax liabilities | 357 | 389 | 746 |
| Post employment benefits | 15,919 | 3,494 | 19,413 |
| | 26,970 | 3,883 | 30,853 |
| **Total liabilities** | 53,657 | 3,883 | 57,540 |
| **Total assets and liabiities** | 27,349 | (816) | 26,533 |
| **Equity attributable to equity holders of the parent** | | | |
| Ordinary share capital | 16,413 | - | 16,413 |
| Revaluation reserve | 13,276 | (798) | 12,478 |
| Retained earnings | (2,340) | (18) | (2,358) |
| Total equity | 27,349 | (816) | 26,533 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**At 1 June 2014**

| | As originally reported | Remea-surement | As restated |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property plant and equipment | 35,737 | (468) | 35,269 |
| Investment properties | - | 468 | 468 |
| Intangible assets | 1,625 | 353 | 1,978 |
| Investments | 123 | - | 123 |
| Deferred tax asset | - | 3,981 | 3,981 |
| | 37,485 | 4,334 | 41,819 |
| **Current Assets** | | | |
| Inventories | 20,404 | - | 20,404 |
| Trade and other receivables | 35,147 | - | 35,147 |
| Cash and cash equivalents | 5,196 | - | 5,196 |
| | 60,747 | - | 60,747 |
| **Total assets** | 98,232 | 4,334 | 102,566 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 43,732 | 219 | 43,951 |
| Other interest bearing loans and borrowings | 62 | - | 62 |
| Current tax liabilities | 62 | - | 62 |
| | 43,856 | 219 | 44,075 |
| **Non-current liabilities** | | | |
| Other interest bearing loans and borrowings | 14,048 | - | 14,048 |
| Provisions for other liabilities and charges | 984 | - | 984 |
| Deferred income tax liabilities | 358 | 286 | 644 |
| Post employment benefits | 17,181 | 4,294 | 21,475 |
| | 32,571 | 4,580 | 37,151 |
| **Total liabilities** | 76,427 | 4,799 | 81,226 |
| **Total assets and liabilities** | 21,805 | (465) | 21,340 |
| **Equity attributable to equity holders of the parent** | | | |
| Ordinary share capital | 16,413 | - | 16,413 |
| Revaluation reserve | 9,701 | (644) | 9,057 |
| Retained earnings | (4,584) | 179 | (4,405) |
| Equity attributable to owners of the parent | 21,530 | (465) | 21,065 |
| Non-controlling interests | 275 | - | 275 |
| **Total equity** | 21,805 | (465) | 21,340 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## COMPANY STATEMENT OF FINANCIAL POSITION

**At 1 June 2014**

| | As originally reported | Remeasurement | As restated |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property plant and equipment | 35,602 | (468) | 35,134 |
| Investment properties | - | 468 | 468 |
| Intangible assets | 1,625 | 353 | 1,978 |
| Investments | 813 | - | 813 |
| Deferred tax asset | - | 3,988 | 3,988 |
| | 38,040 | 4,341 | 42,381 |
| **Current Assets** | | | |
| Inventories | 20,131 | - | 20,131 |
| Trade and other receivables | 36,591 | - | 36,591 |
| Cash and cash equivalents | 4,019 | - | 4,019 |
| | 60,741 | - | 60,741 |
| **Total assets** | 98,781 | 4,341 | 103,122 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 42,744 | 219 | 42,963 |
| Other interest bearing loans and borrowings | 62 | - | 62 |
| Current tax liabilities | 740 | - | 740 |
| | 43,546 | 219 | 43,765 |
| **Non-current liabilities** | | | |
| Other interest bearing loans and borrowings | 14,048 | - | 14,048 |
| Provisions for other liabilities and charges | 984 | - | 984 |
| Deferred income tax liabilities | 351 | 293 | 644 |
| Post employment benefits | 17,181 | 4,294 | 21,475 |
| | 32,564 | 4,587 | 37,151 |
| **Total liabilities** | 76,110 | 4,806 | 80,916 |
| **Total assets and liabilities** | 22,671 | (465) | 22,206 |
| **Equity attributable to equity holders of the parent** | | | |
| Ordinary share capital | 16,413 | - | 16,413 |
| Revaluation reserve | 9,701 | (644) | 9,057 |
| Retained earnings | (3,443) | 179 | (3,264) |
| **Total equity** | 22,671 | (465) | 22,206 |

# Notes to the Financial Statements *(Continued)*

Year ending 30 November 2016

## CONSOLIDATED INCOME STATEMENT

**At 30 November 2015**

| | As originally reported | Remeasure-ment | As restated |
|---|---|---|---|
| | £000 | £000 | £000 |
| Continuing operations | | | |
| Revenue | 169,568 | - | 169,568 |
| Cost of Sales | (119,882) | (335) | (120,217) |
| **Gross Profit** | 49,686 | (335) | 49,351 |
| Administrative expenses | (54,041) | 179 | (53,862) |
| Exceptional administrative expenses | (834) | | (834) |
| Total administrative expenses | (54,875) | 179 | (54,696) |
| Oher income | 564 | - | 564 |
| **Group Operating Loss** | (4,625) | (156) | (4,781) |
| Finance costs - net | (757) | - | (757) |
| Other finance (expense)/income | (93) | (1,962) | (2,055) |
| **Loss before taxation** | (5,475) | (2,118) | (7,593) |
| Taxation | (942) | 316 | (626) |
| **Loss for the period from continuing operations** | (6,417) | (1,802) | (8,219) |
| Profit for the period from discontinued operations (attributable to equity holders of the company) | 683 | 214 | 897 |
| Profit on disposal of businesses | 8,899 | (214) | 8,685 |
| | 3,165 | (1,802) | 1,363 |
| Profit attributable to: | | | |
| Owners of the parent | 3,067 | (1,802) | 1,265 |
| Non-controlling interests | 98 | - | 98 |
| **Profit for the period** | 3,165 | (1,802) | 1,363 |

# Notice of Annual General Meeting

## Countrywide Farmers plc

(the "Company")
(registered in England No. 3776711)

Notice is hereby given that an Annual General Meeting of the Company will be held at 11am on 26 May 2017 at Countrywide House, Asparagus Way, Vale Park, Evesham, Worcestershire, WR11 1GN.

You will be asked to consider and vote on the resolutions below. Resolutions 1 to 5 will be proposed as ordinary resolutions and resolutions 6 and 7 will be proposed as special resolutions.

**ORDINARY RESOLUTIONS**

1. To receive, consider and adopt the Company's annual accounts and the reports of the directors and auditors for the period ended 30 November 2016.
2. To re-elect Mr Paul Robert Freeston who retires by rotation pursuant to Article 92 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a director.
3. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting at which accounts are laid before the Company.
4. To authorise the directors of the Company (Directors) to determine the remuneration of the auditors.
5. To consider, in accordance with section 656 of the Companies Act 2006 (the Act), whether any, and if so what, steps should be taken to deal with the fact that the net assets of the Company have fallen to less than half of the Company's called up share capital.

**SPECIAL RESOLUTIONS**

6. THAT:

6.1 the Directors be generally and unconditionally authorised pursuant to section 551 of the Act to:

6.1.1 allot shares in the Company, and to grant rights to subscribe for or to convert any security into shares in the Company:

(a) up to an aggregate nominal amount of £5,470,877; and

(b) comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £10,941,754 (including within such limit any shares issued or rights granted under paragraph (a) above), in connection with an offer by way of a rights issue:

(i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(ii) to people who are holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next general meeting of the Company after the date on which this resolution is passed (or if earlier, the date that is 15 months from the date on which this resolution is passed), and

6.1.2 make an offer or agreement which would or might require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after expiry of this authority and the Directors may allot shares and grant rights in pursuance of that offer or agreement as if this authority had not expired;

6.2 subject to paragraph 6.3 below, all existing authorities given to the Directors pursuant to section 551 of the Act be revoked by this; and

6.3 paragraph 6.2 above shall be without prejudice to the continuing authority of the Directors to allot shares, or grant rights to subscribe for or convert any security into shares, pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made.

# Notice of Annual General Meeting *(Continued)*

## Countrywide Farmers plc

(the "Company")
(registered in England No. 3776711)

7. THAT, subject to the passing of resolution 6, the Directors be generally empowered pursuant to section 570 and section 573 of the Act to allot equity securities (as defined in the Act) for cash pursuant to the authority conferred by resolution 6 as if section 561(1) of the Act did not apply to any such allotment.

   This power:

   7.1 expires (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company after the date on which this resolution is passed or, if earlier, the date that is 15 months from the date on which this resolution is passed, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuant of that offer or agreement as if this power had not expired;

   7.2 shall be limited to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 6.1.1(b) by way of a rights issue only):

      7.2.1 to the ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

      7.2.2 to people who hold other equity securities, if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities,

   and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or other matter; and

   7.3 in the case of the authority granted under resolution 6.1.1(a) shall be limited to the allotment of equity securities for cash otherwise than pursuant to paragraph 7.2 up to an aggregate nominal amount of £820,631.

   This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution 6" were omitted.

By order of the Board
S J Francis
Company Secretary

Countrywide House
Asparagus Way
Vale Park
Evesham
Worcestershire
WR11 1GN

4 April 2017

# Notice of Annual General Meeting *(Continued)*

## Countrywide Farmers plc

(the "Company")
(registered in England No. 3776711)

**NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING**

**Entitlement to attend and vote**

1. Only those shareholders registered in the Company's register of members at:

   1.1 6.00 pm on 24 May 2017; or,

   1.2 if this meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting..

**Attending in person**

2. If you wish to attend the meeting in person, please confirm your attendance to the Company Secretary before the date that is five business days before the date of the meeting by:

   2.1 sending an e-mail to lhobbs@countrywidefarmers.co.uk; or

   2.2 telephoning 01386 429511.

**Appointment of proxies**

3. If you are a shareholder who is entitled to attend and vote at the meeting, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

4. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, each proxy form should specify the shares to which it relates. If you require additional proxy forms, please let us know by telephoning the Company Registrar on 0121 585 1131.

5. Shareholders can appoint a proxy and give proxy instructions by returning the enclosed proxy form by post (see notes 8 to 12).

6. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting and vote in person, your proxy appointment will automatically be terminated.

7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

**Appointment of proxy by post**

8. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

9. To appoint a proxy using the proxy form, the form must be:

   9.1. completed and signed;

   9.2. sent or delivered to the Company Registrar at Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA; and

   9.3. received by Neville Registrars, no later than 48 hours before the time for holding the meeting.

10. In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

11. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

12. If you have not received a proxy form and believe that you should have one, or if you require additional proxy forms, please contact Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA or on 0121 585 1131.

# Notice of Annual General Meeting *(Continued)*

## Countrywide Farmers plc

(the "Company")
(registered in England No. 3776711)

**Appointment of proxy by joint members**

13. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

**Changing proxy instructions**

14. Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

15. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company Registrar at Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA.

16. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

**Termination of proxy appointments**

17. A shareholder may change a proxy instruction but to do so you will need to inform the Company in writing by either:

    17.1. Sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company Registrar at Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by the Company Registrar no later than 48 hours before the time for holding the meeting.

    If you attempt to revoke your proxy appointment but the revocation is received after the time specified, your original proxy appointment will remain valid unless you attend the meeting and vote in person.

**Corporate representatives**

18. A corporation which is a shareholder can appoint a corporate representative (or, if such corporation is a Depository voting in its capacity as such, one or more corporate representatives) who may exercise, on its behalf, all its powers as a member (provided that no more than one corporate representative exercises powers over the same share).

**Issued shares and total voting rights**

19. As at the date of this notice, the Company's issued share capital comprised 32,825,267 ordinary shares of 50p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at the date of this notice is 32,825,267.

**Voting**

20. As soon as practicable following the meeting, the results of the voting will be announced to Asset Match and also placed on the Company's website.

**Communication**

21. Except as provided above, shareholders who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

    21.1. calling the Company Secretary on 01386 429500; or

    21.2. sending an email to shareholders@countrywidefarmers.co.uk.

22. You may not use any electronic address provided either:

    22.1. in this notice of annual general meeting; or

    22.2. any related documents (including the proxy form),

    22.3. to communicate with the Company for any purposes other than those expressly stated.

# Notice of Annual General Meeting *(Continued)*

## Countrywide Farmers plc

(the "Company")
(registered in England No. 3776711)

**Explanation of resolutions**
An explanation of each of the resolutions is set out below.

1. **Resolution 1**

1.1 Resolution 1 deals with the adoption of the Company's annual accounts and the directors' and auditors' reports for the 12 month period ended 30 November 2016.

2. **Resolution 2**

2.1. Resolution 2 deals with the re-election of Paul Robert Freeston. Paul Robert Freeston is retiring by rotation, in accordance with the Company's articles of association and offers himself for re-election.

3. **Resolutions 3 and 4**

3.1. Resolutions 3 and 4 propose the re-appointment of the Company's current auditors, and to authorise the Directors to agree the auditors' remuneration.

4. **Resolution 5**

4.1. Section 656 Companies Act 2006 was brought to the attention of the directors as part of the audit of the financial statements for the year to 30 November 2016. Section 656 states that where the net assets of a public company are less than half of its called up share capital, the directors must call a general meeting to consider whether any, and if so what, steps should be taken to deal with the situation.

4.2. As detailed in the CFO Report the net assets are 40% of the called up share capital as compared to 161% in the previous financial year. This position was largely driven by a combination of losses in the year and the adverse actuarial movement on the pension scheme. It is proposed to consider at the AGM the steps which the Company's Board are taking, and such steps as the Company's shareholders consider should be taken, to address this issue, including the prospective sale of the retail business at the appropriate time.

5. **Resolution 6**

5.1. The Company's Directors may only allot shares or grant rights to subscribe for, or convert any security into shares, if authorised to do so by shareholders. This resolution seeks to grant a new authority under section 551 of the Act to authorise the Directors to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company and will expire at the conclusion of the next annual general meeting of the Company (or 15 months from the date of the resolution, if earlier).

5.2. Paragraph 6.1.1(a) of resolution 6 will, if passed, authorise the Directors to allot shares or grant rights to subscribe for, or to convert any security into, such shares in the Company up to a maximum nominal amount of £5,470,877. This amount represents no more than 33.33% of the Company's issued share capital (excluding treasury shares) on 4 April 2017 (being the latest practicable date prior to the publication of this notice).

5.3. Paragraph 6.1.1(b) of resolution 6 authorises the Directors to allot, in addition to the shares referred to in paragraph 6.1.1(a), further of the Company's shares up to an aggregate nominal amount of 33.33% of the Company's issued share capital (excluding treasury shares) in connection with a pre-emptive offer to existing shareholders by way of a rights issue (with exclusions to deal with fractional entitlements to shares). This is in accordance with the latest institutional guidelines published by The Investment Association.

5.4. This authority will expire on the conclusion of the annual general meeting of the Company (or 15 months from the date of the resolution, if earlier). The Board has no present intention to exercise this authority. However it is considered prudent to maintain the flexibility that this authority provides. The Board intends to renew this authority annually.

5.5. As at close of business on 4 April 2017, the Company did not hold any treasury shares.

# Notice of Annual General Meeting *(Continued)*

## Countrywide Farmers plc

(the "Company")
(registered in England No. 3776711)

**6. Resolution 7**

6.1. Under section 561(1) of the Act, if the Directors wish to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares, or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the Directors need the flexibility to issue shares without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights.

62. Resolution 7 asks the shareholders to waive their pre-emption rights and, apart from rights issues or any other pre-emptive offer concerning equity securities, the authority contained in this resolution will be limited to the issue of shares for cash up to an aggregate nominal value of £820,631 (which includes, for this purpose, the sale on a non-pre-emptive basis of any shares held in treasury), which represents no more than 5% of the Company's issued ordinary share capital (excluding treasury shares) as at 4 April 2017 (being the latest practicable date prior to the publication of this notice). The Board confirms its intention that no more than 7.5% of the issued share capital (excluding treasury shares) will be issued for cash on a non-pre-emptive basis during any rolling three year period and the sale on a non-pre-emptive basis of any shares held in treasury will be considered an issue for cash for this purpose.

6.3. This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems. If given, the authority will expire at the conclusion of the next annual general meeting of the Company (or 15 months from the date of the resolution, if earlier).

6.4. The Directors have no present intention of exercising this authority. The Directors intend to renew this authority annually.