

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

Operating profits prior to the amortisation of goodwill fell almost 28% to £2.6m year on year. Profit for the financial period rose 11.9% having benefitted from £0.8m revaluation of our fixed asset investments.

The Brexit decision weakened consumer confidence, particularly in our older customers, resulting in more cautious buying, whilst continued mild weather disrupted our normal trading patterns. Our seasonal Fuels businesses were particularly affected, with a reduction in demand for domestic heating oil. Operating profits in Fuels overall were down 22% on the prior year, although our Chandlers business successfully grew year on year. WCF Distribution had a particularly difficult year, with the loss of a number of significant customers.

Despite the challenging market conditions, we believe that our strategic positioning across a small number of niche sectors, in which we already enjoy a good market share, remains appropriate. Those sectors which are relatively poorly served present us with good opportunities for growth. Both the 70 plus women's clothing market and the pet care sector are forecast to increase in coming years.

During the year, we made significant progress in our online retailing, expanding our product ranges, implementing customer loyalty programs and increasing our portfolio of commercial customers. We introduced a range of onions, garlic and shallots to our seed potato offering in Horticulture. We re-opened our Kendal store after flooding in 2015 and welcomed our first customers to our new store at Alnwick. Our most recent brand, Springlawn, is currently in its first full season and we re-launched our Fuelfighter website in response to the growing number of bulk fuel oil customers who now choose to order on-line.

Our filling station at Stocksbridge was sold to allow us to concentrate on our core activities. Profit from the sale amounted to £0.2m.

We generated cash of £2.8m in the year from normal operating activities.

OUR PEOPLE

During the year, several of our long-standing colleagues left to take up retirement. Six had clocked up over 81 years of service between them.

Ian Stewart, our Director of Home Shopping, also retired in May after 32 years. Ian was our Managing Director between 1985 and 2013 and was fundamental in establishing the WCF that you see today. He restructured the company from an agricultural co-operative into private ownership in 1988 and handed a small stake to its employees. He decentralised responsibility and accountability into the individual business units, a format which still serves us well today and puts our decision making in the hands of those who need it. Ian also set up our largest Home Shopping brand Country Collection.



I am delighted that his role in Home Shopping has been filled internally. Debbie Brimicombe became General Manager – Operations and Merchandise and now runs this business jointly with Tracey Cannon, General Manager – Marketing. Together, Tracey and Debbie have over 31 years of service with WCF and the business is in excellent hands moving forward.

Following Ian's retirement Pam Murray, our Group Financial Controller, joined the board as Company Secretary.



The founder of our most recent acquisition, Allan Stobart, has stepped aside from his day to day responsibilities and this business is now being run by his daughter Nicola Wolstencroft. Allan remains involved in the business working on development projects and as a technical advisor. On behalf of everyone we would like to thank Allan for all his hard work in managing the integration of this business and demonstrating what excellent customer service means. His customer retention has been extremely high. We hope that under Nicola's leadership WCF can build on his outstanding legacy.

Daniel Sowerby joined us as our Estates and Facilities Manager.

ALNWICK

Our new store at Alnwick opened in May 2017. This is our first store in a new geographical location for many years and followed a complete refurbishment of the existing building. I would like to extend thanks on behalf of the board to Kevin Sharp-Dixon, Alan Smith, Chris Wills and all members of the Pet & Equestrian team who were involved with its planning and opening. We do not under-estimate the work involved, particularly alongside their challenging operational roles. Our thanks also go to David Cowen for project managing the store re-development. The team at Alnwick are all new to WCF and we would like to wish them huge success at the store.



WCF STAFF RETIREMENT BENEFIT SCHEME

Following its recent closure to future accrual and buyout of the pensioner liabilities undertaken in 2013, our Scheme is now smaller. Therefore, it was decided to move its governance into the hands of an independent professional Trustee. Ann Rigby of BESTrustees has served as one of our Trustees since 2015 and became sole Trustee in April 2017. Ann's experience will help us continue to finance our pensions liabilities and manage the increasing tax, legal and regulatory landscape.

The board would like to thank the outgoing Trustees Ian Stewart and Peter Hadden for their many years of service to the Scheme.

EMPLOYEE OWNERSHIP

Our colleagues were very disappointed not to trigger the employee profit share this year. However, they continue to invest in WCF, with over 75% owning shares, either directly or indirectly. We continue to engage with all colleagues to ensure that they have a say about our future success and that we make the business as good a place to work as we possibly can.

DIVIDEND

The proposed final dividend is 30.0 pence per share. This represents a return to shareholders of almost 57% of our operating profits and a dividend yield of 5.3% (on the share price of £5.70). From 2017/18 the directors intend to link the dividend paid to a minimum distribution based on a % of operating profit. The remainder will be retained within the business to support our growth aspirations, develop our facilities and invest in our current employees.

This will be paid by 1st December 2017 to all shareholders on the register of members at 15th September 2017.

OUTLOOK

There are small signs that the market is slowly recovering but we believe that the macro-economic backdrop, and the disposable incomes of our customers, will remain challenging for some time yet. We are confident in our strategy to grow our market share and ability to execute it successfully. Obtaining price rises from our customers as our own costs increase remains a threat to our overall levels of profitability. We must absorb or mitigate some of these cost increases to underpin future sustainable profitable growth. We continue to review our levels of productivity and efficiency to ensure that we remain competitive and drive high levels of customer service.

The depth of our balance sheet ensures that we are in a position to capitalise on our niche positions when conditions improve, as well as providing the funds for essential store and depot refurbishment. We will continue to search for development and acquisition opportunities, both within our existing sectors and in new areas, as well as seeking out geographical expansion where appropriate. Our strategic objective to reduce the impact of seasonality on our operations could result in a substantial investment in a new income stream should the opportunity arise.

Our employees work tirelessly to deliver our objectives and Business Plans. Sometimes market conditions mean that this huge effort is not always rewarded by results in the way that it deserves. On behalf of the Board and General Management team I would like to take this opportunity to thank them for their continued support, engagement and hard work.



Donald Biggar - Chairman