

The Directors present their strategic report for the 52 weeks ended 27 May 2017.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is niche retailing and specialised distribution. The company operates a portfolio of brands which can be seen on the rear cover of the Annual Report. The company is structured into a series of decentralised business units, with the majority of decision making being delegated to the individual units. This allows them to respond to the needs of their customers in the most flexible manner possible.

A detailed review of the company's operations is included in the Chairman's Statement and Business Review.

## RESULTS

The profit after tax for the year as shown on page 15 amounted to £2,272,000 (2016: £2,031,000). Shareholders' funds as shown on page 17 total £29,754,000 (2016: £31,426,000).

The results of the company are covered in more detail in the Chairman's Statement and Business Review.

## BUSINESS ENVIRONMENT

Many of the company's business units, and in particular its fuel oil distribution business, are seasonal and impacted by the weather. As such, fluctuations in its reported numbers are inevitable and, to some extent, beyond its control. Whilst the price of crude oil is monitored on a regular basis, fluctuations are reflected in the daily price and the impact of this passed on to our customers.

The company's home shopping and retail business are driven by consumer demand and are therefore influenced by their perception of the wider economic and political climate.

## STRATEGY

The company's aim is to build a sustainable and cash generative business, that provides shareholders with a steady dividend, whilst retaining sufficient cash resources to buy in shares from those shareholders wishing to sell their holdings. Our strategy for achieving this objective is to grow the earnings of our individual businesses through a combination of organic growth, capital investment and acquisition. This will be achieved by developing our product ranges, focusing on customer service, investing in our infrastructure and motivating our employees. Our decentralised structure is utilised to empower entrepreneurial leadership and facilitate decision making, whilst protecting the independence and culture of our individual business units.

## KEY PERFORMANCE INDICATORS (KPIs)

Each individual business unit has its own set of performance measures which are used to monitor progress against targets and communicate to employees. These include, but are not restricted to, average transaction value, margin % or pence per litre, customer numbers, number of customer complaints, stock losses and number of accidents or incidents.

The main KPI for each business unit is operating profit. Performance is monitored weekly and analysed monthly against both the prior year and the budgeted target. Budgets are set annually. For further analysis of KPIs please see Chairman's Statement and Business Review.

## PRINCIPAL RISKS AND UNCERTAINTIES

There has been no change in the risk profile of the company. The identification of strategic, operational, compliance and financial risks is a key part of the management function. The company regularly monitors its key risks and reviews its processes and controls to ensure they are effective. Where appropriate the company uses third party advisors to monitor compliance. General risks include loss of a major customer or supplier, changes in key personnel, competitor threats, stock investment, price fluctuation, changing consumer demand, non compliance with legislation, environmental and health and safety risks. A significant proportion of the company's turnover is generated through the sale of oil-related products and as such the business will be materially impacted by extreme movements in weather conditions. The company seeks to mitigate the risks by distributing a range of bulk fuel oils across a variety of sectors. In addition the price of these products is subject to changes in the world commodity price for crude oil. We manage the risk of margin erosion by holding low stock values and monitoring selling prices on a daily basis.

The company is aware that further economic downturn could continue to impact on both customer demand and consumer confidence, as well as impacting on the provision of credit to our customers and their ability to maintain payment terms. Where appropriate, credit checks are performed on all customers before sales are made and assigned credit limits closely monitored. We also maintain credit insurance on higher value accounts. In our B2C businesses the majority of payments are received in advance or by credit or debit card.

Interest rate risk continues to be applicable as a result of the cash balances held by the company. The majority of our finished goods in Home Shopping are sourced from overseas and so they are impacted by the value of sterling. The exchange rate volatility created by Brexit increases this risk. Where possible we seek to minimise the impact of this by hedging the foreign currency exposure.

## FUTURE DEVELOPMENTS

Future developments for the individual business units are covered in the Chairman's Statement and Business Review.

Interest rates are predicted to remain low in the short to medium term and this will impact on the amounts receivable from the company's cash balances.

The reduction in the rate of corporation tax from 20% to 19% from April 2017 has benefited the charge in the profit and loss account. Future tax charges will benefit from further reductions in corporation tax rates in the future.

By order of the board  
P.A. Murray, Company Secretary  
14 September 2017