ANNUAL SUMMARY

SPECIALISED DISTRIBUTION

Volumes across our **FUEL OIL DISTRIBUTION** businesses increased by 6.4% year on year. Excluding domestic heating oil, volumes were up 7.1% due to successful efforts to diversify our customer portfolio and a focus on customer retention. We also grew our average margins.

The "Beast from the East" in March created a surge of demand and the severe weather conditions, coupled with driver, product and tanker availability, produced several operational difficulties. We must praise the personal efforts of our hard-working staff, many of whom worked long hours during this period. We will be looking at additional steps we can take to cope with surges of demand without adding excess costs into our infrastructure. Tanker reliability has been troubling and we will be working with the vehicle providers to measure and improve vehicle up-time.

We commenced work on the construction of a bulk storage depot at our site in Peterlee for **FUELS NORTH EAST**. This will ultimately increase our vehicle capacity, open up greater buying opportunity and provide us with more resilience during times of product shortage. As part of this project we took the opportunity to purchase the site from our landlord. Volumes from this business increased 15.4%. We recruited an experienced field sales representative and have already seen the benefits of this. Customer numbers increased by 4.2%.

WCF CHANDLERS continues to exceed expectations and it remains our largest fuel distribution business, with almost 40% of total volume. Profits in this business grew 53% year on year – a great effort from all the team down there. We successfully utilise a combination of internal and on the road sales representatives to source new business, target lapsed customers and maintain client relationships focussed on service. We have completed essential maintenance on some of the depots and will continue to roll this out in 2018/19. We plan to add new depots to grow our geographical reach. We will focus on maximising our routing efficiencies and service levels especially in times of peak demand.

Volumes in **ALLAN STOBART LUBRICANTS & FUELS** remained static year on year, as a 12.2% increase in domestic heating oil was offset by a continued reduction in full load volume and the impact of a prolonged wet Summer adversely affecting agricultural gas oil volumes. Customer retention remains high in the business. Work continues to expand the depot capacity to ease operational constraints and allow us to take advantage of price trends.

The better than average Winter, alongside a focussed expansion into new geographical territories improved profitability at **FUELS NORTH WEST**, where volumes increased almost 17% year on year. Over 40% of volume in this business is domestic heating oil and seasonal fluctuations are inevitable. However, a focus on expanding our commercial portfolio increased diesel sales by almost 40%. Issues with tanker reliability and a vehicle accident adversely impacted on our service levels. We have a new Sales Manager and are focussing on targeted incentives to continue to increase sales, as well as the addition of lubricant sales and tank telemetry to our product portfolio.

Our online fuel platform **FUELFIGHTER** failed to deliver the growth in volumes required and will be an area of priority in the coming 12 months. We have recruited internal digital marketing expertise and will be simplifying some of the functionality to improve both the user experience and the back-end administration.

Revenues in our graphic design and web development business **HAT TRICK MEDIA** fell by 17% as one of our web developers undertook shared paternity leave.

Volumes despatched from **WCF HORTICULTURE** were adversely impacted by the cold, late Spring, with snow on the ground at the time consumers should have been purchasing their seed potatoes. Volumes from our multiple customers remain under pressure as the struggle on the high street continues. Our largest retail customer exited the market and whilst we secured a large amount of the business directly from garden centres there was still some loss of volume arising. Offsetting this was a considerable improvement in product sourcing and labour efficiency. As a result, this business reported a profit in excess of the prior year. We have a new sales team for 2018/19 who are already focussed on expanding our product range and are undertaking market segmentation to ensure that we spend our commercial efforts in the areas that will generate the greatest reward. We believe that our location provides us with strategic advantage.

In **SPRINGLAWN**, meters squared of artificial grass doubled during the year and the business almost reached break even. We secured repeat business from our landscaping customers and several special orders for sports surfaces. A facility to direct despatch product from the manufacturer aided order fulfilment during our peak production season. Product wastage remains a concern. Having obtained additional product knowledge during the year we are simplifying our range to ensure we offer the most popular lengths and competitive pricing.

NICHE RETAILING

We have seen increased performances from both our retail businesses, with a strengthening of underlying revenues. We are confident that we will continue to perform strongly within our identified niches despite the pressures on both high street and supermarket retailers from the internet.

HOME SHOPPING saw profits rise by 21% on the prior year. Revenues from our main clothing brands were up 14.1% on the prior year, with 12.4% growth in our Country Collection and 30.2% growth in Classic Boutique. Clothing gross margin % fell by 1.5%. This was driven by the impact of a refreshed, accelerated and successful advertising program. We are continuing our advertising this Summer and Early Autumn beyond our traditional cut off point, with products specifically suited to the time of year. As such we will have a sustained presence during this cross seasonal period. Adding new customers to our database is vital. We trialled several new products and publications, introduced targeted email newsletters and partnered with selected third parties.

We extended the pagination of our key catalogues to feature more cross seasonal product and promote more outfitting. The introduction of a range of jewellery and accessories was particularly successful and we will continue to build on this as part of the range as well as seeking other complimentary products that may be of interest to our customers.

Additional focus was given to James Meade Ladies as we re-position this brand as the blouse specialist. It is particularly difficult to recruit for Mens and this will be given priority in the second half of 2018. We extended our range of underwear, outer wear and nightwear. Revenues for both these brands were up almost 5% on the prior year.

Our customers prefer to transact with us on the telephone, but increasing numbers are moving online. 37% of revenues came from the internet, compared to 18% in the prior year. We review and update our digital offering to ensure that we take advantage of the latest technology, whilst also being respectful of the age demographics of our customer base. We have recruited additional digital marketing and social media resource to help us in this area. We will introduce tracked postage for all our brands in Autumn 2018.

Operationally our priority has been on more forward planning to increase stock availability, reduce lost sales and ultimately improve on-time despatch. We are working to improve the percentage of our products despatched within 3 days. This involves adding new manufacturers, dual sourcing and purchasing larger quantities of fabric and cross seasonal products. We have added resource into our merchandising department.

A considerable amount of time was taken up with the new data protection regulations ("GDPR") to ensure that we maintained the ability to communicate with our customers and enquirers, whilst remaining compliant with the legislation. We take the privacy rights of our customers very seriously.

During the year we took the decision to close The Thimble Guild to allow our specialist and technical resource to focus on our clothing brands where there is much greater opportunity for growth through both press and digital advertising. We exited Waggers at the end of February.

We are upgrading our computer hardware and back-up systems across the group to improve data security, resilience and provide business continuity.

Like for like sales in **PET & EQUESTRIAN** were up 8.5% on the prior year, an excellent result. The increases were consistently spread, with 6 stores posting their strongest turnover ever. We operated several in-store events with local charities to increase footfall and brand awareness.

Gross margin % fell slightly by 0.2% as we utilised customer loyalty programs to increase retention and implemented more competitive pricing in areas such as equestrian. Sales of our own brand products continue to gain momentum, with new products such as horse feed and treats added to the range during the year and additional growth in our popular grain-free Lakeland Heritage dog feed. Almost 25% of our turnover now comes from our own brand (up from 21% in the prior year). We have recently launched a new website **WCF SELECT**. This will allow us to sell own brand online but minimise the risk of migration of our existing customer base in store.

Our program of store improvements continued, with major refurbishments at Wigton and Castle Douglas; the latter will be completed with a store re-fit during 2018/19. We also improved the frontage at Skipton and will refurbish the store during 2019. Claughton received a new roof and we will upgrade its frontage in the coming year. Work finally started on our new store in Cockermouth and this will open in Summer 2018. We are delighted with this new space. There will be some continued disruption whilst the old store is demolished and we won't see the full benefit of this opportunity until Lidl open their unit in Spring 2019.

We are undertaking a program of marketing and sponsorship activities to boost footfall at our newest store in Alnwick, as well as reviewing and refreshing the range now that we have 12 months of sales figures to hand. Customer recruitment is slower than we would like, but retention is high thanks to our excellent store team. Facebook remains our primary tool for customer recruitment and engagement.

Our new Area Manager brings with her a range of retail experience, with her principal role being to improve in-store merchandising standards and customer service, as well as additional strategies to motivate footfall.

Managing Director