

CHAIRMAN'S STATEMENT

FINANCIAL RESULT

Operating profits from continuing operations fell to £0.6m. This is net of fuels depot maintenance of £0.5m, an accounting adjustment in respect of past service pension costs £0.3m and one-off restructuring costs £0.2m, all of which have been deducted from operating profit. Excluding these items, like for like operating profits would have been down £1.0m on the prior year.

This is almost entirely driven by a significant fall in profits in our Fuels business and in particular our Chandlers operation, where profits were down 70% year on year. We generated cash of £1.7m from normal operating activities and ended the year with a cash balance of £12.9m.

Whilst the overall consumption of fossil fuel continues to decline we do not believe that these results are reflective of a permanent deterioration in our performance but arise from the short term and unfortunate fluctuations caused by both a very hot Summer and a warmer than average Winter. The prior year comparison also included the impact of the "Beast from the East" in March 2018 which saw Chandlers profits rise 53% year on year between 2017 and 2018 and so the impact has been more profoundly felt. We have invested heavily in our depot infrastructure, which has hit costs in the current year and have been adversely impacted by disruption to fuel supplies at Immingham and delays in the arrival of new vehicles. Both issues have now been addressed. The Operating Review gives more information about our Fuels strategy and performance.

I am delighted to report that revenues in our Home Shopping business rose by 14.6% as our brand differentiation and extensive advertising program continues. Whilst much of this increase is consumed by additional marketing costs, the program is imperative to build future sales momentum and ensure a continued pipeline of new customers. We have built an extremely strong niche in the mature clothing sector and we continue to expand our range to meet their needs.

SALE OF COCKERMOUTH

In August 2018 we received our new store at Cockermonth, which had been built on our behalf as part of a land exchange deal with Lidl. The new store sits on land immediately adjacent to our old building, which has now been demolished, and a food store will open there in August 2019. As a result of the exchange we recognised a book profit of £1m, with the proceeds being almost entirely re-invested in the new store. This new building is fit for purpose for retail and we hope to benefit from the additional footfall opportunities that sharing a site with Lidl will bring. Revenues at Cockermonth were up 11.2% year on year. I would like to extend my thanks to everyone involved in the construction, fit out and merchandising of the new store, a real team effort.

MAJOR PROJECTS

Thanks to our Estates and Facilities team, supported locally by operations, we have completed an unprecedented number of projects, both in terms of improving our existing facilities and investing in new ones. We sourced a site in Beeston, Norfolk, have built a fuel storage depot there and will use this to extend our existing operations into East Anglia. We have recruited a driver and a sales representative to help us with this and a new tanker was delivered to the site in May 2019. Our storage depot in Peterlee is now

fully operational and as well as providing us with the required contingency in case of fuel shortages will also significantly improve our transport efficiencies.

We have just started a major building refurbishment at Brampton to provide our Home Shopping team with the additional space they need.

INVESTMENT STRATEGY

We have had a busy year on the acquisition front, undertaking feasibility, and sometimes bidding, on a variety of businesses that fit our acquisition profile and risk appetite. We are focussing on family owned businesses with a strong tier of management. Whilst we may not always be successful, it is clear that there is considerable interest in our decentralised and employee ownership model to aid business owners with succession. Each opportunity provides us with some learnings even if we are not ultimately successful. The recruitment of Phil Murray as our Deputy Managing Director has given us some capacity to review more opportunities. We are clear that we will not expose the group to unacceptable levels of risk as a result of our strategy, by either paying too much, or investing in the wrong businesses.

HERDING HILL FARM

Having identified the leisure sector as being an acquisition target, I am delighted to welcome the staff at the Herding Hill Farm Camping and Glamping site on Hadrian's Wall to WCF in March 2019. The 5-star site has an excellent reputation and should benefit enormously from the centralised marketing, strategic and facilities support WCF can provide. We are evaluating additional development opportunities at the site as well as expanding our portfolio in due course. The team of wardens are managed by Sue and Phil Humphreys who live on site.

BUSINESS DISPOSALS

We divested a number of our smaller businesses during the year to allow our senior teams to focus on those activities that generate the most reward and to allow them the required time to focus on long-term growth opportunities. In the case of The Thimble Guild and Springlawn, the staff members were moved to alternative roles and the brand, trade and assets sold for a nominal amount.

Our former colleagues at Hat Trick Media have transferred to our existing web partner locea and we continue to work with them, albeit indirectly, on all of our brands. This positions all our websites with the same provider and ensures that we can benefit from a wider pool of ideas and expertise, as well as giving our former staff members additional personal development opportunities with a larger company.

OUR PEOPLE

Following the retirement of Steve Hebdon in September 2018, I am delighted to announce that Lynn Casson has relocated from Fuels North West to take up the role of General Manager of WCF Chandlers. This is our largest fuels business and it will benefit enormously from Lynn's expertise particularly in relation to the use of technology to facilitate our transport operations. Lynn's role at Fuels North West has been filled by Gemma Hogg, who joins us from a local competitor. Gemma has several years' experience within the fuels industry and is already bringing energy and new ideas to the table. We wish Lynn and Gemma the best of luck in their new roles. I would also like to thank Steve for his contributions during his 40 years with WCF.

In accordance with our vision to achieve higher levels of employee engagement than our competitors we have created a new role of Head of People and Culture. Karen Kelso joined us in July 2019 and will be working on an engagement, succession and personal and leadership development agenda that will ensure we have the right people in the right roles, we treat them well and train them to succeed. We will also be increasingly focussed on behaviours to measure success.

We incurred restructuring costs of £0.2m as several people exited the business.

WCF RETIREMENT BENEFIT SCHEME

Following a recent court ruling relating to Lloyds Bank, all defined benefit schemes are required to set aside a further amount in respect of additional liabilities arising from the equalisation of Guaranteed Minimum Pensions (GMP's). Operating profit therefore includes a charge of £0.3m relating to the past service cost of recognising these benefits. This equates to approximately 2% of the non-equalised liabilities.

DIVIDEND

A copy of the Dividend Policy, which links shareholder income directly to the current financial success of the company, is included at the rear of this Annual Report.

The proposed final dividend is 30.0 pence per share. This represents a dividend yield of 5% (on the share price of £6.00).

This will be paid on or before 29th November 2019 to all shareholders on the register of members at 6th September 2019.

OUTLOOK

Whilst the group had a difficult trading year we made progress on a number of strategic fronts across all the businesses and this, along with our cash reserves, should help us to be resilient in the current economic climate. We are aware of the long-term difficulties many of our businesses face and are working on ways to mitigate this with additional income generating opportunities.

The difficulties in running a seasonal business remain and shareholders should continue to expect underlying volatility of earnings.

I would like to finish by thanking Jo and her Executive team, the General Managers and my fellow Board Members for their support and guidance and all our hard working and dedicated employees for their contributions and enthusiasm. As our business continues to evolve their ability to cope with and profit from change will become ever more critical.

Donald Biggar – Non-Executive Chairman

