

The Penrith Farmers' and Kidd's Plc

Chairperson's statement and business review

Period ended 31 December 2017

A time of change and progression - A Strategy for the Future

I am pleased to report significant progress since our changes in the executive leadership over the last few years at PFK.

Shortly after taking office as Managing Director, Stephen Lancaster, supported by a new and energetic leadership team, reviewed and refined the strategy of PFK. He set out the key milestones to achieving a progression in the strategic direction of the Company with the ultimate objective of improving value for all stakeholders.

You will have seen from our recent papers and the increased messaging to shareholders that proper governance and effective management is essential to our continued success, and with this in mind, the management have created an investors page on the PFK (www.pfk.co.uk) website. This new webpage provides further information in relation to our purpose, governance and future strategies, so I would urge you to visit the page.

Tireless work has been carried out with the shaping and expanding of teams on the property services side of the business. This time has been invested to ensure that as we progress this change, property services will continue to remain at the heart of our business, with the focus being on consolidation of our offering through the existing network of offices and our growing online and digital presence. This will ensure the highest standards of service being offered to existing and new customers and clients.

On the property investment side of our operations, benefits are already beginning to materialise and the future attractions of the business as an income generating, commercial rental company are becoming increasingly clearer.

In simple terms, we are evolving the business from a traditional property services business, with some investment properties, to a more progressive (investment) model with sustainable and visible income streams from well-run private rented commercial investments.

The PFK model will capture over time the full reversionary value of the investments; with the shorter term predictable cashflows being reinvested directly into further opportunities.

As the business progresses, the direction we are taking will help mitigate as far as possible any fluctuations to the net income of the business as a result of variable market forces.

As the government targets housing we believe there is potential significant growth in this sector as the growing population seeks employment as well as new homes.

As the transition from strategy to implementation progresses the Board has exercised patience where required and execution where needed. I would like to thank all of my colleagues on the Board for their continued support.

As always I would like to thank the workforce of PFK for their continued commitment and embracing the changes introduced.

Similarly, we continue to enjoy strong support from the majority of our shareholders and I thank them for their patience and continued support.

The Penrith Farmers' and Kidd's Plc

Chairperson's statement and business review (continued)

Period ended 31 December 2017

BUSINESS REVIEW

Overview of the financial statements

Last year we reported that the Company was changing its financial year end from the 31st August every year to 31st December.

This year's reporting period therefore covers a 16 month period from 1 September 2016 to 31 December 2017 and as a result of this, direct comparisons to the previous year's figures may prove difficult.

The enclosed financial statements show a profit for the reporting financial period of £213,877 compared with the figure of £81,349 for the year to 31 August 2016.

An interim dividend of 25p has already been paid and it is recommended that no final dividend shall be paid.

Review of the business

Further to my report in the interim statement, the Company is enduring testing times with negativity and uncertainty surrounding the Brexit negotiations, which continues to affect sentiment in the residential market as well as contributing to an unusual slowdown in the circulation of agricultural land.

Stephen Lancaster, Managing Director of Penrith Farmers' and Kidd's Plc, commented on the current market:

"Whilst each office will observe their own idiosyncrasies, the market remains broadly flat, and there is nothing to suggest there are any major price corrections on the horizon. As less property is coming to the market and low mortgage rates prevail, buyers are in a strong position and as such are negotiating harder. I say this as it is an important point, because it is the expertise of members of this company who work tirelessly to broker a successful transaction between these parties which invariably more internet based firms will struggle with."

Despite the challenges faced by many in the sector, the Company has continued to play to its strengths of the energy and flexibility of its management team supported by a robust financial base in order to capitalise on all relevant opportunities available.

As a result of this, the Company's share price continues to grow with the most recent trade pushing total Market Capitalisation to over £10 million.

The Penrith Farmers' and Kidd's Plc

Chairperson's statement and business review (continued)

Period ended 31 December 2017

Key developments during the period have included;-

Continued enhancement of property portfolio

As part of the on-going strategy to maximise asset returns, Head Office oversaw;-

- The submission and subsequent issuing of a "minded to approve", (subject to a Section 106 agreement) planning permission for Commercial Development over 20 acres of wholly owned Company land adjacent to **Stoneybeck** Roundabout, Penrith.
- The purchase of the freehold of the **Keswick** office during the period.
- The on-going improvement of trading assets, with the **Kirkby Stephen** office undergoing considerable improvement and futureproofing during the reporting period and enhancements to the **Penrith**, Devonshire Street office currently underway.
- The renegotiation and extension of some of the more significant leases within the portfolio.

Continued investment in branding and technology

All departments continue to develop and improve their web-based offerings including;-

- The new PFK domain name pfk.co.uk is now fully operational as we seek to simplify our digital offer, together with an ongoing brand refresh throughout all offices and departments. It is anticipated that the fully refreshed website enhancing the company's digital presence will be launched during the early summer.
- The **furniture saleroom** has increased its use of the successful internet platform which has resulted in average lot prices reaching new highs, with the more difficult to progress, higher value catalogue sales growing organically as our reach and expertise is increased and becomes more widely known.
- During the period, **surveys and valuations** have moved away from lower value bulk valuations to focusing on improving their digital offering as well as seeking opportunities from private client work through the Company's network of offices.

Chairperson's statement and business review (continued)

Period ended 31 December 2017

Stronger leadership and stronger teams

The Company continues to strengthen and develop its workforce with on-going recruitment and training at all levels, as well as taking advantage of the considerable "cross selling" opportunities which arise within its own departments;-

- As the result of a recent retirement in **land agency**, David Stout MRICS has joined the Company as its new Head of Department. David brings vast experience and leadership to this department at a key time. With this added impetus of new leadership supported by senior management, the department is driving forward with new connections as well as continuing to deliver an excellent standard of service to its existing client base.
- Despite key staff changes in the reporting period coupled with the national concerns of low stock levels, the **estate agency** has performed well as a result of concentrating on its teamwork and its client facing skills in the face of competition from internet-only based providers. The Eden Valley offices of **Kirkby Stephen, Appleby and Penrith** continue to complement each other well, as this market can give rise to individual office variances. **Keswick** performs robustly, and with the purchase of the office freehold secures the Company presence in the town. Property has sold exceptionally well with the market hitting new highs in the reporting period. **Cockermouth** is thriving under its new leadership and team, with **Whitehaven** having a strong year, with further promise. **Carlisle** is a comparatively larger competitive market, but the team works well with the added advantage of immediate Director support through Rachel Lightfoot who is based at this location.
- The **planning** department has performed well with strong leadership from the Director in charge. Recruitment for additional Chartered team members to assist with expansion plans is proving challenging; however focus is now being given to early recruitment through graduate/apprenticeship programmes. Cross selling planning services from its base in the **Carlisle** office throughout the rest of our network has been successful with reciprocal departments gaining invaluable early insight into future client projects.

Jeanette Brown

Chairperson

19 March 2018