

The Penrith Farmers' and Kidd's Plc

Chairperson's statement and business review

Year ended 31 December 2018

Overview

I am pleased to report these financial results in these challenging times.

We continue to remain cautious on the residential property market outlook for 2019 given the current uncertainty over the UK and global political and economic environment along with the potential impacts on UK consumer confidence.

The end of Q4 2018 and the start of Q1 2019 have been particularly challenging. However, even though the final arrangements for the planned exit from the European Union are uncertain, we are beginning to see some resilience in our local markets with a view that more conventional trading will resume Q3 and Q4 2019.

Although Brexit and the current political environment continues to create uncertainty, the Company has a robust balance sheet and will seek to take opportunities as they are presented.

Outlook

The opportunities surrounding our enhanced property portfolio are beginning to present themselves at Eden 41 Business Park and with our refreshed Board, strong executive team and well-established financial position we are well placed to capitalise on the interest generating in this opportunity.

PFK continues to execute on strategy and are confident, with a strong brand, broad portfolio of property services and the benefits of excellent teams and culture, that we remain well positioned to be resistant to a broad range of potential market conditions to continue to grow Shareholder value.

The Penrith Farmers' and Kidd's Plc

Chairperson's statement and business review (continued)

Year ended 31 December 2018

BUSINESS REVIEW

Overview of the financial statements

As you are aware the Company changed its year end from the 31st August every year to 31st December. This resulted in a 16-month reporting period ending 31st December 2017.

As such, this reporting period will be compared to a 16-month reporting period. As a result of this, direct comparisons to the previous year's figures may prove difficult.

The enclosed financial statements show a profit after tax for the reporting period of £312,152 compared with the figure of £213,877 for the 16-month period ending 31st December 2017.

In line with good corporate governance, the Company's investment property assets have been revalued and the resulting surplus of £197,450 has been incorporated in to the profit and loss account and balance sheet. The movement in the valuation has been driven predominantly by the significant efforts made by the executive team in the land being branded Eden 41 Business Park, as well as market-driven movements, both positive and negative, across the rest of the investment property portfolio.

The details of the investment property revaluation will be integrated into our future strategy as appropriate, with the longer-term focus of maximising shareholder value.

It is recommended a final dividend of 25p per share shall be paid.

Review of the business

As Shareholders may be aware, the Board and the Executive Team took the decision to close the Appleby Office in January 2019 after approximately 25 years of trading in the Town. Whilst the closure of any part of a business is disappointing the Board recognise the importance of the business staying agile and cost effective whilst continuing to deliver the highest standards of service.

I can report the Appleby area has successfully been absorbed into the neighbouring offices of Kirkby Stephen and Penrith and that we continue to recognise the importance of High Street Agencies where our customers and clients can talk to us face to face.

Key developments during the period have included;-

The Penrith Farmers' and Kidd's Plc

Chairperson's statement and business review (continued)

Year ended 31 December 2018

Continued enhancement of property portfolio

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

- 20 acres of Land owned by the Company at the Junction of A6 and B5035, Penrith being granted outline planning permission for use Class B1/B2/B8 development. (Planning Permission Eden District Council 17/0928).
- This site being branded Eden 41 Business Park and is made available for Design & Build or Land Sales opportunities. Information is available at www.eden41.co.uk.
- The ongoing improvement of Trading Assets, including a new shopfront and refurbishment of the Devonshire Street Office in Penrith.
- Refurbishment and renegotiation of the Lease at the Agricultural Hotel, Penrith.

Continued investment in branding and technology

- Renewal of the trading website to a simpler functional website (www.pfk.co.uk).
- Creation of PFK Investors website (<http://investors.pfk.co.uk/>).
- Highlighting, Purpose, Strategy, Corporate Governance and key messaging to Stakeholders.

Investment in Health and Safety

During the reporting period the Managing Director has headed up a Company-wide Health and Safety review. As a result, a Health and Safety Committee has been formed which meets periodically and ensures the Health and Safety culture within the Company is fit for purpose and delivered to teams.

The Penrith Farmers' and Kidd's Plc

Chairperson's statement and business review (continued)

Year ended 31 December 2018

Board changes

As a result of Jeanette Brown announcing she was to resign as Chairperson on the 31 December 2018 the Board sought to recruit a Non-executive Director with a strong financial acumen.

As a result of this process Stephen Dunn has accepted a position on the Board as well as being Chair of the Audit Committee.

Stephen is a qualified Chartered Accountant, Chartered Tax Adviser and Chartered Wealth Manager and has previously worked for KPMG for 40 years.

Following the appointment of John Rowlands as Chairman, John Wilson is now Chair of the Remuneration Committee.

Trading update

The Planning Department experienced a more challenging year than expected in 2018, however we are now seeing a slow return to more meaningful business with early enquiries increasing in 2019.

Land Agency finished 2018 well, but the looming uncertainty is undoubtedly tempering appetite to commit to new projects and looking to the future there is opportunity in the sector.

Surveys and Valuations performed in line with expectations in 2018, however it tends to track with the Estate Agency. The Brexit conundrum has forced some home-owners to stay put which has resulted in more re-mortgage valuations, but exacerbated the low housing stock for sale, which the country continues to sustain.

The Saleroom prevailed for a reasonable year. With a settled team a focus is being given to a more stable cashflow performance across 2019.

Estate Agency teams have worked well in the period with less stock. Sales have generally been in line with expectations, with rentals slipping. New experienced leadership in the department is a well-timed and a welcome boost.

The draft Tenant Fees Bill in November 2017 sets out the government's approach to banning lettings fees paid by tenants. This will take effect from 1 June 2019. Undoubtedly this will have an effect on the profitability of the department and we will be working hard to mitigate the effect of the ban.

Head Office have released the role of Head of Estate Agency and remain focussed on robust financial control and excellent reporting. They look to shape the future with strong leadership, new opportunities and driving the development and expansion of existing teams.

The Penrith Farmers' and Kidd's Plc

Chairperson's statement and business review (continued)

Year ended 31 December 2018

Stephen Lancaster, Managing Director of Penrith Farmers' and Kidd's Plc commented:

"I am pleased with our performance in a difficult and variable market.

Through a longer term lens we remain focussed on creating and sustaining long-term value. We continue to recruit and retain the best talent with a commitment to excellent service and a strong company culture. Our teams know their markets and our customers as it is these relationships that are critical to locating new opportunities to derive value".



John Rowlands

Chairperson

18 March 2019