

Panel A11's for
The LANCASTER FARMERS AUCTION
MART COMPANY LIMITED - 21088
Company Registration No. 00066426 (England and Wales)

L & K GROUP PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

THURSDAY



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31/05/2019
COMPANIES HOUSE

L & K GROUP PLC

COMPANY INFORMATION

Directors

Mr A J Bargh
Mrs J M Bargh Dip.CRM
Mr D Barton
Mr S Cornthwaite
Mr J A Dixon
Mr J E Drinkall
Mr J A Geldard
Mr J W Hodgson
Dr M Lee PhD, CPsychol, FCIPD, FRSA
Mr T W Wilson

Secretary Mrs K L Black

Company number 00066426

Registered office J36 Rural Auction Centre
Crooklands
Kendal
Cumbria
LA7 7FP

Auditor Baldwins Audit Services
Fleet House
New Road
Lancaster
Lancashire
LA1 1EZ

Bankers Barclays Bank plc
9 Highgate
Kendal
Cumbria
LA9 4AD

Lloyds Bank plc
5-6 King Street
Penrith
Cumbria
CA11 7AP

Solicitors Baines Wilson LLP
2 Merchants Drive
Carlisle
Cumbria
CA3 0JW

L & K GROUP PLC

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 6
Independent auditor's report	7 - 9
Statement of comprehensive income	10
Group balance sheet	11
Company balance sheet	12
Group statement of changes in equity	13
Company statement of changes in equity	14
Group statement of cash flows	15
Notes to the financial statements	16 - 38

L & K GROUP PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The chairman presents his statement for the year:

I am pleased to present the Financial Statements to shareholders for the year ending 31 December 2018. The profit before taxation is £429,854 (2017 £425,513). The year under review has been particularly impacted by lower livestock numbers in some sections and a reduction in commission due to lower prices in the livestock sector nationally. However, with the diverse income streams received by the Group as a whole the profit is highly satisfactory and I will provide more details later in my report on each department.

The L&K Group property portfolio expanded in 2018 with the opening of the new Exhibition Hall and Meeting Rooms at J36 and I recently wrote to all shareholders including some information on the services we offer. The Exhibition Hall became fully operational in March 2018 and has seen a very rapid demand for the conference and meeting room spaces with word spreading about the excellent facilities on offer. Any shareholder who has not visited the site recently is very welcome to call in and Sean Eatherden and his assistant Emma Taylor will be very happy to show you around. Also during the year we saw the completion of the new John Deere tractor depot creating a purpose-built facility on 2 acres of land at J36. The new building adds significantly to the offering at J36 not only in terms of rental income but also aesthetically and with footfall. These two additions to the site, designed by our in-house architectural consultant Greg Gilding MRICS in NWA Architectural, complete a significant investment in the site. During 2019 we will see the further expansion of the car park to accommodate increasing demand for parking at various sales and events.

On 23 May 2019 the site at J36 will be home for the National Beef Association 'Beef Expo' which will see the whole site being used in one of the largest events we have hosted so far using every part of the penning area, livestock hall, exhibition hall, meeting rooms and car park, with assistance from the Westmorland County Show for a park-and-ride facility. It is an honour to have been chosen as a site for this event and is a reflection on the high quality facilities we now have on offer.

During 2018 we continued to promote the site at Galgate, purchased in the latter part of 2017, for a new rural business park and auction site. We have received very positive support from Lancaster City Council. The land at Galgate, immediately off Junction 33 of the M6, and the existing auction mart site on Wyresdale Road forms part of the Local Plan promoted by Lancaster City Council relating to development sites as part of 'Local Plan for Lancaster District 2011-2031'. The plan is, at the time of writing, being scrutinised by the Inspector. We expect the plan in relation to our two sites will be approved giving shareholders confidence that when the time is right this company has some certainty regarding various options for future planning considerations. We will continue to keep shareholders updated with progress in this process. After some refurbishment of the farmhouse on the site at Galgate we have recently welcomed a tenant. The land at Galgate is mostly let out for grazing, with some land retained for much-needed lairage facilities used by the company.

Whilst the directors stay close to all sectors of the L & K Group, and are tasked with implementing strategy to achieve performance across the board, they recognise that increased market share in the livestock sector produces increased turnover to our other departments and our tenants. Therefore in 2019 the directors have placed increased resource within livestock in order to achieve further growth within this sector.

L & K Group has established a busy, vibrant marketplace for farmers to trade livestock and machinery, and on the same site farmers can gain access to many other ancillary agricultural services provided by NWA and our tenants. Throughout the year we have been supported by our 25 tenants on both sites who provide invaluable services to our customers, visitors and clients and we thank them all for being part of our partnership.

The L&K Group Company contributed £320,026 (2017: £175,972) including internal rents and management charges, and fair value movements to the pre-tax trading profit of the group.

L & K GROUP PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Review of key financial figures

	2018 £	2017 £	2016 £	2015 £
Income				
Turnover	1,958,549	1,977,780	1,892,472	1,954,566
Rental income	474,468	372,523	351,088	335,338
Adjusted Earnings				
Operating profit excluding fair value movements	557,811	524,093	488,299	251,380
Exceptional items	-	-	-	205,384
Depreciation	82,498	80,264	89,475	82,584
Adjusted Earnings before exceptional items	640,309	604,357	577,774	539,348

I will now discuss each of the trading divisions in turn:

North West Auctions Limited

Livestock

Shareholders close to farming businesses will know that a number of factors affected all auction marts during 2018. The cold early spring of 2018 coupled with the drought in early summer, and the strengthening presence of the direct procurement wholesale buyers in the prime lamb market, led to a change in market environments affecting many of our customers resulting in lower stock numbers forward or lower prices being achieved. As a result this department made a pre-tax profit of £13,446 (2017: £134,082) after internal rents and management fees. As an auction mart company we must and we will adjust to these changing market forces. In addition to our weekly sale of Prime Lambs and Cast Sheep at both centres we now offer a direct marketing service to all customers who require this. We will seek to strengthen buyers' presence around the ring and change our sales promotion strategy where necessary. As recently announced to shareholders, we were joined in February by renowned livestock auctioneer and manager, Paul Gentry, who within days of joining us announced a joint venture with Melton Mowbray market for the Limousin Cattle Society sale in April and we hope many more to come. He has held a consultation with customers and agreed to change the time of the Lancaster Monday sale, so far with very positive results. He recognises that the J36 centre is well placed to become one of the strongest store sheep markets in the north as well as providing facilities for new pedigree sales and events. He is providing strong leadership for the livestock department and the four Auctioneers. In May 2018 Matthew Probert re-joined the company after a time away in Wales and also managing Pateley Bridge Auction, and, at the beginning of this year, fieldsman Bradley Thompson was given the opportunity to train as an auctioneer and is now successfully growing the calf sale at J36. The Friday sale at Lancaster continues to be the envy of the competition with Gary Capstick taking the lead ably supported by Ian Atkinson. The monthly machinery sale at J36 almost bursts the car park every time, with customers travelling from far and wide to attend the Saturday sale. The opportunity here is to grow and increase value lots. 2019 will be a year of change as we evaluate the changes in marketing strategy and changes in farming policies, ensuring we meet our customers' needs. We are incredibly well placed now at both our sites to adapt and change, our staff are excellent and motivated to do well under Paul's leadership and we look forward to growing each sale. As ever we need to monitor performance of each sale, be mindful of risk and keep strong control on debt. We will maintain our prime stock credit insurance in place and we use this opportunity to remind all shareholders who also use our services that the commission you pay ensures you are guaranteed payment in seven days from sale.

L & K GROUP PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1818 Auctioneers

1818 Auctioneers had another strong trading year under the management of Bill Nelson, with a sales turnover of £1,340,000 a 20% rise for the year. Again, a strong performance by Jackie Rothwell in her Silver and Jewellery section producing over £200,000 worth of sales. David Hunter and Ken Payne also produced some excellent figures over the year with their specialist sections, David's toys and figurines turned over £100,000 while Ken's Militaria, Coins, Stamps etc was over £200,000. The weekly sales are the bread and butter of the company providing more than 50% of the turnover with lower value lots. The specialist add-ons to these sales such as Music and Photography are growing well and adding diversity. Great credit for the success is down to the saleroom logistics team led by Kevin Kendal and their ability to organise the massive throughput of items and the setting up of sales. 1818 offered over 35,000 lots for auction during 2018 which is an increase of 7,000 lots. Changes are being made in 2019 with the creation of a new two-day Collectors' sale every other month and Dawn O'Sullivan taking over as Office Co-ordinator. More valuation events will be held over the year in the hope of attracting higher value pieces. This department contributed a pre-tax profit of £72,071 (2017: £78,366) after internal rents and management fees.

NWA Professional (M B Hodgson & Son Limited)

I am very pleased with the results achieved by this dedicated team of land agents and advisors. Under the management of Kathryn Sayce, the department has contributed £24,311 pre-tax profit (2017: £37,093) to the Group results after internal rents and management fees. We provide an essential service to our core customer offering advice on all matters relating to farm business, land ownership and lettings. With fewer farm sales conducted generally over the last few years we are predicting a change over the coming few years as farmers evaluate how changing subsidies and support payments will affect their long-term business aims. We have a number of experts who can advise clients on the ever-changing rules and opportunities for diversification and grants, development of buildings, change in farming policies, planning matters or exploring farm exit strategies. Anyone needing help or advice can call the office where the team is on hand to assist. A rising star of the department is Emily Warin MRICS who completed her examinations for the Central Association of Agricultural Valuers towards the end of last year and is now a Fellow of the CAAV alongside Michael Mashiter who remains with the company. Rodney Coward is also on hand to help and advise those customers who are considering how to reorganise and plan their farm business in the future, together, with Charlotte Ormondroyd who is in her final year of studies to qualify as a Chartered Surveyor and Land Agent. With Greg Gilding providing architectural services this team is well placed to help with any question you have regarding the next steps or indeed any matter relating to your farm business.

Dividend

The directors are proposing a dividend of 10 pence (2017: 10 pence).

Finally, I wish to thank all the staff of the group who work so hard for the company and to the directors I also thank for their support and candid discussion throughout the year.

This report was approved by the board on 16 April 2019 and signed on its behalf.



Mr J E Drinkall
Chairman

L & K GROUP PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the group continued to be that of auctioneers, estate agents and surveyors, and of receiving rental income from investment properties.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr A J Bargh
Mrs J M Bargh Dip.CRM
Mr D Barton
Mr S Cornthwaite
Mr J A Dixon
Mr J E Drinkall
Mr J A Geldard
Mr J W Hodgson
Dr M Lee PhD, CPsychol, FCIPD, FRSA
Mr T W Wilson

In accordance with the company's Articles of Association, Mrs J M Bargh, Mr D Barton and Dr M Lee retire by rotation and, being eligible, offer themselves for re-election.

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £81,193. The directors do not recommend payment of a further dividend.

Directors' insurance

The group has maintained insurance on behalf of certain key directors and officials against liabilities arising in relation to the group.

Financial instruments

Financial risk management objectives and policies

The group holds or issues financial instruments in order to achieve three main objectives, being:

- (a) to finance its operations;
- (b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and
- (c) for trading purposes.

In addition, the group has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from the group's operations.

Transactions in financial instruments result in the group assuming or transferring to another party one or more of the financial risks described below.

L & K GROUP PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Liquidity risk

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The group is exposed to fair value interest rate risk on its borrowings and cash flow interest rate risk on bank overdrafts and loans. The group has entered into both fixed and variable interest rate agreements on its loans so as to minimise its exposure to changes in interest rates.

Credit risk

Investments of cash surpluses and borrowings are made through banks and companies which must fulfil credit rating criteria approved by the board. All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are reviewed on a regular basis and provision is made for doubtful debts whenever considered necessary.

Future developments

The group will continue to be auctioneers, estate agents and surveyors and to receive rental income from investment properties. The group will continue to trade from the Kendal and Lancaster auction marts and increase market share within Lancashire and Cumbria.

Auditor

The auditor, Baldwins Audit Services (previously trading as CLB Coopers Audit Services) is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

L & K GROUP PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

By order of the board

A handwritten signature in black ink, appearing to read 'K Black', written in a cursive style.

Mrs K L Black

Secretary

16 April 2019

L & K GROUP PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L & K GROUP PLC

Opinion

We have audited the financial statements of L & K Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

L & K GROUP PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF L & K GROUP PLC

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

L & K GROUP PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF L & K GROUP PLC

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Baldwins Audit Services

**Susanna Cassey (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services**

2 May '19

**Accountants
Statutory Auditor**

Fleet House
New Road
Lancaster
Lancashire
LA1 1EZ

L & K GROUP PLC

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	1,958,549	1,977,780
Cost of sales		(32,537)	(26,683)
Gross profit		1,926,012	1,951,097
Administrative expenses		(1,977,560)	(1,853,909)
Other operating income		609,359	426,905
Operating profit	5	557,811	524,093
Interest receivable and similar income	9	1,273	489
Interest payable and similar expenses	10	(191,830)	(99,069)
Fair value gains and losses on investment properties	15	62,600	-
Profit before taxation		429,854	425,513
Tax on profit	11	(72,214)	(66,018)
Profit for the financial year	26	357,640	359,495
Other comprehensive income			
Tax relating to other comprehensive income		-	12,224
Total comprehensive income for the year		357,640	371,719

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

L & K GROUP PLC

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2018


	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	14	5,206,259		4,646,534	
Investment properties	15	6,880,068		6,788,014	
Investments	16	1,633		1,633	
		12,087,960		11,436,181	
Current assets					
Debtors	19	1,360,202		1,297,251	
Cash at bank and in hand		168,206		168,828	
		1,528,408		1,466,079	
Creditors: amounts falling due within one year	20	(2,067,341)		(1,474,960)	
Net current liabilities		(538,933)		(8,881)	
Total assets less current liabilities		11,549,027		11,427,300	
Creditors: amounts falling due after more than one year	21	(4,834,376)		(5,033,552)	
Provisions for liabilities	23	(305,209)		(260,753)	
Net assets		6,409,442		6,132,995	
Capital and reserves					
Called up share capital	25	790,717		790,717	
Share premium account	26	73,562		73,562	
Revaluation reserve	26	884,104		884,104	
Other reserves	26	(125,000)		(125,000)	
Profit and loss reserves	26	4,786,059		4,509,612	
Total equity		6,409,442		6,132,995	

The financial statements were approved by the board of directors and authorised for issue on 16 April 2019 and are signed on its behalf by:

Mr J A Geldard
Director



Mr T W Wilson
Director



L & K GROUP PLC

COMPANY BALANCE SHEET

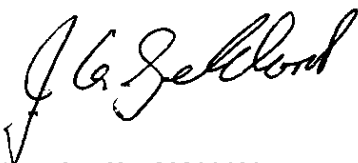
AS AT 31 DECEMBER 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Tangible assets	14		994,232		637,671
Investment properties	15		11,662,913		11,371,135
Investments	16		1,638		251,637
			<u>12,658,783</u>		<u>12,260,443</u>
Current assets					
Debtors	19	308,912		227,166	
Cash at bank and in hand		62,174		113,491	
		<u>371,086</u>		<u>340,657</u>	
Creditors: amounts falling due within one year	20	(1,437,273)		(1,048,161)	
Net current liabilities			(1,066,187)		(707,504)
Total assets less current liabilities			11,592,596		11,552,939
Creditors: amounts falling due after more than one year	21		(4,834,377)		(5,033,553)
Provisions for liabilities	23		(408,700)		(363,343)
Net assets			<u>6,349,519</u>		<u>6,156,043</u>
Capital and reserves					
Called up share capital	25		790,717		790,717
Share premium account	26		73,562		73,562
Profit and loss reserves	26		5,485,240		5,291,764
Total equity			<u>6,349,519</u>		<u>6,156,043</u>


As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £274,669 (2017 - £314,395 profit).

The financial statements were approved by the board of directors and authorised for issue on 16 April 2019 and are signed on its behalf by:

Mr J A Geldard
Director



Mr T W Wilson
Director




Company Registration No. 00066426

L & K GROUP PLC

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss reserves	Total
Notes	£	£	£	£	£	£
Balance at 1 January 2017	790,717	73,562	871,880	(125,000)	4,190,714	5,801,873
Year ended 31 December 2017:						
Profit for the year	-	-	-	-	359,495	359,495
Other comprehensive income:						
Tax relating to other comprehensive income	-	-	12,224	-	-	12,224
Total comprehensive income for the year	-	-	12,224	-	359,495	371,719
Dividends	-	-	-	-	(40,597)	(40,597)
Balance at 31 December 2017	790,717	73,562	884,104	(125,000)	4,509,612	6,132,985
Year ended 31 December 2018:						
Profit and total comprehensive income for the year	-	-	-	-	357,640	357,640
Dividends	-	-	-	-	(81,193)	(81,193)
Balance at 31 December 2018	790,717	73,562	884,104	(125,000)	4,786,059	6,409,442

L & K GROUP PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2017		790,717	73,562	5,017,966	5,882,245
Year ended 31 December 2017:					
Profit and total comprehensive income for the year		-	-	314,395	314,395
Dividends	12	-	-	(40,597)	(40,597)
Balance at 31 December 2017		790,717	73,562	5,291,764	6,156,043
Year ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	274,669	274,669
Dividends	12	-	-	(81,193)	(81,193)
Balance at 31 December 2018		790,717	73,562	5,485,240	6,349,519

L & K GROUP PLC

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	31	524,396		545,526	
Interest paid		(202,326)		(135,608)	
Income taxes paid		(54,016)		(40,711)	
Net cash inflow from operating activities		268,054		369,207	
Investing activities					
Purchase of tangible fixed assets		(542,224)		(514,072)	
Purchase of investment property		(268,958)		(1,989,314)	
Proceeds on disposal of investment property		155,000		-	
Interest received		1,235		451	
Other investment income received		38		38	
Net cash used in investing activities		(654,909)		(2,502,897)	
Financing activities					
Proceeds of new bank loans		-		5,394,594	
Repayment of bank loans		(188,070)		(3,612,736)	
Payment of finance leases obligations		-		(460)	
Dividends paid to equity shareholders		(81,193)		(40,597)	
Net cash (used in)/generated from financing activities		(269,263)		1,740,801	
Net decrease in cash and cash equivalents		(656,118)		(392,889)	
<i>Cash and cash equivalents at beginning of year</i>		<i>(539,039)</i>		<i>(146,150)</i>	
Cash and cash equivalents at end of year		(1,195,157)		(539,039)	
Relating to:					
Cash at bank and in hand		168,206		168,828	
Bank overdrafts included in creditors payable within one year		(1,363,363)		(707,867)	

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

L&K Group plc and its trading subsidiaries North West Auctions Limited and M B Hodgson & Son Limited trade from two auction marts in Kendal and Lancaster receiving rental income, selling livestock, antiques and furniture and acting as estate and land agents. The company is a public company and is incorporated and domiciled in England. The address of its registered office is J36 Rural Auction Centre, Crooklands, Milnthorpe, Cumbria, LA7 7FP.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the holding of previously revalued freehold property at deemed cost and investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

For the year ended 31 December 2018, the group subsidiaries other than those that are dormant are exempt from the requirement of an audit, by virtue of s479A of the Companies Act 2006, for their individual accounts as L&K Group plc, the parent undertaking, has provided a guarantee to the relevant subsidiary under s479C in respect of the year ended 31 December 2018.

For the year ended 31 December 2018, the dormant group subsidiaries are exempt from the requirements to prepare individual accounts under s394A of the Companies Act 2006, or to file individual accounts under s448A of the Companies Act 2006 as L&K Group plc, the parent undertaking, has provided a guarantee to the relevant subsidiary under s394C and s448C in respect of the year ended 31 December 2018.

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of L & K Group Plc and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

Therefore, the group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

At the balance sheet date the parent company's current liabilities exceeded its current assets by £1,066,187 and the group's current liabilities exceeded its current assets by £538,933. The directors have prepared financial forecasts which demonstrate the future viability and profitability of the business. Therefore in the opinion of the directors the financial statements should be prepared on a going concern basis.

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.5 Intangible fixed assets - goodwill

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The directors have reviewed the amortisation rate and consider that 33% straight line is a suitable basis of amortisation of the customer list as the economic benefits of the company are expected to be received for three years.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	No depreciation
Fixtures and fittings	10-50% straight line
Motor vehicles	25-33% straight line

Freehold properties are not depreciated. The directors are of the opinion that the depreciation charge, which if it were to be charged would be at 2% per annum, and accumulated depreciation on the properties is immaterial owing to these assets having very long useful lives and high residual values, as in the opinion of the directors they are maintained to such a standard that their market value is at least equal to book value. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company and the group.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.7 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

In the parent company financial statements the company includes as investment property, properties let to group companies for rent and capital appreciation purposes. These properties are classified as freehold land and buildings in the consolidated financial statements.

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Borrowing costs related to fixed assets

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

1.10 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.11 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Useful economic lives of tangible fixed assets

The useful economic life and depreciation rate of tangible fixed assets is reviewed annually and amended when necessary.

Bad debt provision

The group reviews all trade debtors regularly and considers factors including ageing profile and historical experience to assess whether a provision is necessary. Any provision is charged to the profit and loss account in the year in which it is made. The bad debt provision at the balance sheet date of £25,654 (2017: £5,309) is included in the trade debtors figure.

3 Turnover and other revenue

	2018 £	2017 £
Turnover analysed by class of business		
Agricultural commissions and fees	181,279	211,780
Auction commissions and fees	1,596,588	1,625,156
Estate agent commissions and fees	65,520	67,567
Farm advisory services	92,568	71,400
Advertising and other income net of costs	22,594	1,877
	<u>1,958,549</u>	<u>1,977,780</u>
	2018 £	2017 £
Other significant revenue		
Interest income	1,235	451
Other operating income	134,891	54,382
Net rents receivable	474,468	372,523
	<u>610,594</u>	<u>430,356</u>
	2018 £	2017 £
Turnover analysed by geographical market		
UK	<u>1,958,549</u>	<u>1,977,780</u>

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Earnings per share

The basic earnings per ordinary share is calculated by dividing the profit for the year less non-equity dividends and other appropriations in respect of non-equity shares by the weighted average number of equity shares in issue during the year.

The diluted earnings per ordinary share is calculated by dividing the profit for the year less non-equity dividends and other appropriations in respect of non-equity shares by the weighted average number of equity shares in issue during the year (after adjusting both figures for the potential dilutive effect of convertible and deferred ordinary shares in issue).

The calculation of basic and diluted earnings per ordinary share is based upon consolidated group profits of £357,640 (2017: £359,495).

	2018	2017
Basic weighted average number of shares	811,933	811,933
Dilutive potential ordinary shares: Convertible shares in issue	49,769,500	49,769,500
Weighted average number of shares for diluted earnings per share	50,581,433	50,581,433

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

	2018	2017
Earnings per share (pence)		
Basic earnings per share	44.05	44.28
Diluted earnings per share	0.71	0.71

5 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	82,498	80,264
Profit on disposal of investment property	(5,000)	-
Amortisation of intangible assets	-	2,500

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	8,450	8,550
For other services		
Taxation compliance services	1,515	1,610
Other taxation services	1,742	450
All other non-audit services	8,359	8,590
	<u>11,616</u>	<u>10,650</u>

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Management staff	14	14	11	11
Livestock staff	43	40	-	-
Saleroom staff	14	13	-	-
Administrative staff	6	6	2	2
	<u>77</u>	<u>73</u>	<u>13</u>	<u>13</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	1,057,103	943,658	165,443	140,111
Social security costs	68,184	63,733	8,101	10,776
Pension costs	9,845	5,176	1,337	1,471
	<u>1,135,132</u>	<u>1,012,567</u>	<u>174,881</u>	<u>152,358</u>

8 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	<u>49,000</u>	<u>41,000</u>

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	113	72
Other interest income	1,122	379
Total interest revenue	1,235	451
Income from fixed asset investments		
Income from other fixed asset investments	38	38
Total income	1,273	489

10 Interest payable and similar expenses

	2018 £	2017 £
Interest on bank overdrafts and loans	191,830	99,038
Interest on finance leases and hire purchase contracts	-	31
Total finance costs	191,830	99,069

11 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	27,758	54,016
Adjustments in respect of prior periods	-	(5,382)
Total current tax	27,758	48,634
Deferred tax		
Deferred tax movement in accelerated capital allowances	48,810	(576)
Deferred tax movement in tax losses carried forward	-	35,597
Adjustment in respect of prior periods	2,101	(10,008)
Deferred tax movement on fair value of property	(6,455)	(7,629)
Total deferred tax	44,456	17,384
Total tax charge	72,214	66,018

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	429,854	425,513
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	81,672	81,911
Tax effect of expenses that are not deductible in determining taxable profit	(8,253)	1,883
Tax effect of utilisation of tax losses not previously recognised	-	(3,971)
Adjustments in respect of prior years	-	(5,382)
Permanent capital allowances in excess of depreciation	(5,109)	9,221
Depreciation on assets not qualifying for tax allowances	1,016	-
Effect of revaluations of investments	-	(7,629)
Other non-reversing timing differences	35	-
Other permanent differences	759	-
Deferred tax adjustments in respect of prior years	2,101	(10,008)
Dividend income	(7)	(7)
Taxation charge	72,214	66,018

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £	2017 £
Deferred tax arising on:		
Revaluation of property	-	(12,224)

The company and group have unused tax losses of £101,188 (2017 - £101,188).

12 Dividends

	2018 £	2017 £
Final paid	81,193	40,597

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

13 Intangible fixed assets

Group	Customer list £
Cost	
At 1 January 2018 and 31 December 2018	7,500
Amortisation and impairment	
At 1 January 2018 and 31 December 2018	7,500
Carrying amount	
At 31 December 2018	-
At 31 December 2017	-

The company had no intangible fixed assets at 31 December 2018 or 31 December 2017.

14 Tangible fixed assets

Group	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2018	4,292,730	1,394,104	38,982	5,725,816
Additions	398,893	143,331	-	542,224
Transfer from investment property	100,000	-	-	100,000
At 31 December 2018	4,791,623	1,537,435	38,982	6,368,040
Depreciation and impairment				
At 1 January 2018	-	1,046,614	32,669	1,079,283
Depreciation charged in the year	-	81,068	1,430	82,498
At 31 December 2018	-	1,127,682	34,099	1,161,781
Carrying amount				
At 31 December 2018	4,791,623	409,753	4,883	5,206,259
At 31 December 2017	4,292,730	347,490	6,314	4,646,534

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 Tangible fixed assets

(Continued)

Company	Freehold land and buildings	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 January 2018	412,009	447,642	15,995	875,646
Additions	299,169	93,594	-	392,763
At 31 December 2018	711,178	541,236	15,995	1,268,409
Depreciation and impairment				
At 1 January 2018	-	221,980	15,995	237,975
Depreciation charged in the year	-	36,202	-	36,202
At 31 December 2018	-	258,182	15,995	274,177
Carrying amount				
At 31 December 2018	711,178	283,054	-	994,232
At 31 December 2017	412,009	225,662	-	637,671

Group land and buildings with a carrying amount of £1,200,000 were revalued by a director of a subsidiary company on an open market basis at 1 January 2014, the date of transition to FRS 102.

If revalued assets held at deemed cost were stated on an historical cost basis rather than a deemed cost basis, the total amounts included would have been as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Cost	321,417	321,417	-	-
Accumulated depreciation	(42,397)	(42,397)	-	-
Carrying value	279,020	279,020	-	-

Freehold land and buildings with a carrying amount of £4,791,623 (2017 - £4,292,730) is security against bank loans held by the group.

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

15 Investment property

	Group 2018 £	Company 2018 £
Fair value		
At 1 January 2018	6,788,014	11,371,135
Additions through external acquisition	279,454	379,178
Transfers to owner-occupied property	(100,000)	-
Disposals	(150,000)	(150,000)
Net gains or losses through fair value adjustments	62,600	62,600
	<u>6,880,068</u>	<u>11,662,913</u>
At 31 December 2018	6,880,068	11,662,913

Independent valuations were carried out in March 2017 by Pinders, valuers with a recognised and relevant professional qualification and recent experience in the location and category of the investment property being valued. These valuations have been used by the directors as a basis to determine the value of investment property at 31 December 2018, taking into account additions to the property since this date.

The property held by the group of £6,880,068 (2017 - £6,788,014) is security against bank loans held by the group.

The property held by the company of £11,662,913 (2017 - £11,371,135) is security against a bank loans held by the group.

The increase in fair value of the group's investment property of £62,600 (2017 - £Nil) is included in the consolidated statement of comprehensive income.

The increase in fair value of the company's investment property of £62,600 (2017 - £Nil) is included in the company statement of comprehensive income.

16 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	17	-	-	5	250,004
Unlisted investments		1,633	1,633	1,633	1,633
		<u>1,633</u>	<u>1,633</u>	<u>1,638</u>	<u>251,637</u>

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

16 Fixed asset investments

(Continued)

Movements in fixed asset investments Group

Investments
other than
loans
£

Cost or valuation

At 1 January 2018 and 31 December 2018

1,633

Carrying amount

At 31 December 2018

1,633

At 31 December 2017

1,633

Movements in fixed asset investments Company

Shares in
group
undertakings

Other
investments
other than
loans

Total

£

£

£

Cost or valuation

At 1 January 2018 and 31 December 2018

375,004

1,633

376,637

Impairment

At 1 January 2018

125,000

-

125,000

Impairment losses

249,999

-

249,999

At 31 December 2018

374,999

-

374,999

Carrying amount

At 31 December 2018

5

1,633

1,638

At 31 December 2017

250,004

1,633

251,637

17 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Kendal Auction Mart Limited	England	Dormant	Ordinary	100	-
Lakeland Lamb Limited	England	Dormant	Ordinary	100	-
M B Hodgson & Son Limited	England	Land agents and auctioneers	Ordinary	100	-
North West Auctions Limited	England	Livestock auctioneers	Ordinary	100	-
The Lancaster Farmers Auction Mart Company Limited	England	Dormant	Ordinary	100	-

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Creditors: amounts falling due within one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	22	1,581,924	915,322	218,561	207,455
Trade creditors		173,010	213,740	96,469	173,439
Amounts owed to group undertakings		-	-	932,626	424,285
Corporation tax payable		27,758	54,016	-	-
Other taxation and social security		118,373	29,910	38,383	29,910
Other creditors		6,320	10,052	2,972	1,378
Accruals and deferred income		159,956	251,920	148,262	211,694
		<u>2,067,341</u>	<u>1,474,960</u>	<u>1,437,273</u>	<u>1,048,161</u>

The bank overdraft is secured by a cross guarantee and debenture between L&K Group plc and North West Auctions Limited.

Amounts owed to group undertakings are secured by a fixed and floating charge dated 1 May 2007 over the assets of the company. Amounts owed to group undertakings are interest free, have no fixed date of repayment and are repayable on demand.

21 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	22	4,834,376	5,033,552	4,834,376	5,033,552
Amounts owed to group undertakings		-	-	1	1
		<u>4,834,376</u>	<u>5,033,552</u>	<u>4,834,377</u>	<u>5,033,553</u>

22 Loans and overdrafts

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans	5,052,937	5,241,007	5,052,937	5,241,007
Bank overdrafts	1,363,363	707,867	-	-
	<u>6,416,300</u>	<u>5,948,874</u>	<u>5,052,937</u>	<u>5,241,007</u>
Payable within one year	1,581,924	915,322	218,561	207,455
Payable after one year	4,834,376	5,033,552	4,834,376	5,033,552

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,299,530	1,251,066	n/a	n/a
Equity instruments measured at cost less impairment	1,633	1,633	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	6,595,628	6,172,666	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

Financial assets measured at cost less impairment comprise investments in unquoted shares.

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, bank overdrafts, trade creditors and other creditors.

19 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
Amounts falling due within one year:				
Trade debtors	1,167,585	1,212,471	31,685	11,080
Amounts owed by group undertakings	-	-	117,269	77,447
Other debtors	121,945	28,595	121,945	111,751
Prepayments and accrued income	60,672	46,185	28,013	16,888
	<u>1,350,202</u>	<u>1,287,251</u>	<u>298,912</u>	<u>217,166</u>
Amounts falling due after more than one year:				
Other debtors	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total debtors	<u>1,360,202</u>	<u>1,297,251</u>	<u>308,912</u>	<u>227,166</u>

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22 Loans and overdrafts

(Continued)

The bank loans are secured by a cross guarantee and debenture between L&K Group plc, North West Auctions Limited and M B Hodgson & Son Limited, and a legal charge over the properties known as Lancaster Farmers Auction Mart, Wyresdale Road, Lancaster; J36 Site, Moss End, Kendal; Unit 10, Kendal Business Park, Kendal; and Lane House Farm, Galgate, Lancaster.

Bank loans amounting to £3,965,771 (2017: £4,194,212) are repayable by instalments in more than five years. The loans are repayable over 20 years with interest chargeable at rates of 3.4% and 2.2% above base rate.

23 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2018 £	Liabilities 2017 £
Group		
Accelerated capital allowances	285,649	241,497
Tax losses	(17,315)	(17,202)
Revaluations	36,875	36,458
	<u>305,209</u>	<u>260,753</u>
	Liabilities 2018 £	Liabilities 2017 £
Company		
Accelerated capital allowances	277,789	225,864
Tax losses	(17,315)	(17,202)
Revaluations	148,226	154,681
	<u>408,700</u>	<u>363,343</u>
	Group 2018 £	Company 2018 £
Movements in the year:		
Liability at 1 January 2018	260,753	363,343
Charge to profit or loss	44,456	45,357
	<u>305,209</u>	<u>408,700</u>

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

24 Retirement benefit schemes

	2018	2017
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	9,845	5,176

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. All contributions were paid during the year.

25 Share capital

	Group and company	
	2018	2017
Ordinary share capital	£	£
Issued and fully paid		
581,433 Ordinary shares of 50p each	290,717	290,717
230,500 Ordinary 'A' shares of 1p each	2,305	2,305
25,000,000 Convertible 'L' shares of 1p each	250,000	250,000
24,769,500 Deferred shares of 1p each	247,695	247,695
	<u>790,717</u>	<u>790,717</u>

The Ordinary shares have full voting rights, rights to receive profits available for distribution, and return of capital on a winding up.

The Ordinary 'A' shares rank pari passu with the Ordinary shares only in certain circumstances, as determined by the Articles of Association.

The convertible 'L' shares have no voting rights, no rights to receive profits available for distribution, and no return of capital on a winding up. They are convertible to Ordinary A shares which have the same rights as the Ordinary shares only in certain circumstances, as determined by the Articles of Association.

Deferred shares have no voting rights, no return of capital on a winding up and have the right to receive a dividend of £0.01 per share if the net profits of the company exceed £10,000,000 in any tax year of the company. The deferred shares are redeemable at a price of £0.0001 per share at the company's option at any time. There is no fixed date for redemption and there is no premium payable on redemption.

26 Reserves

Share premium

Share premium account represents any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which were revalued on transition to FRS 102 and subsequently held at deemed cost, net of deferred taxation.

Other reserves

Other reserves represent the difference between the cost of investment in a subsidiary and the value of the subsidiaries share capital on consolidation.

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

26 Reserves

(Continued)

Profit and loss reserves

Profit and loss accounts represents accumulated comprehensive income for the year and prior periods net of equity dividends paid. Non-distributable profit and loss account represents the accumulated fair value gains on investment properties held by the group.

At the balance sheet date the company had non-distributable profit and loss reserves of £1,066,515 (2017: £1,136,126).

At the balance sheet date the group had non-distributable profit and loss reserves of £251,987 (2017: £321,598).

27 Financial commitments, guarantees and contingent liabilities

There is a cross party guarantee in place over the bank overdraft in North West Auctions Limited. At the balance sheet date the potential liability for the company under this guarantee amounted to £1,363,363 (2017: £707,867).

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Acquisition of tangible fixed assets	-	367,406	-	367,406

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	100,636	93,305

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

29 Related party transactions

(Continued)

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Sales		Purchases	
	2018	2017	2018	2017
	£	£	£	£
Group				
Directors	4,996	8,582	-	-
Other related parties	534	1,688	3,287	8,020
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Company				
Other related parties	222	-	1,002	5,368
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the year the group earned commission on sales made by the directors of £25,642 (2017: £32,940). All amounts were paid during the year.

The company has taken advantage of the exemption contained in Financial Reporting Standard 102 and has therefore not disclosed transactions with wholly owned entities which form part of the group.

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2018	2017
	£	£
Company		
Entities over which the company has control, joint control or significant influence	932,627	424,286
	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2018	2017
	Balance	Balance
	£	£
Group		
Other related parties	48,738	57,185
	<u> </u>	<u> </u>
Company		
Entities over which the company has control, joint control or significant influence	117,269	77,447
Other related parties	10,000	10,000
	<u> </u>	<u> </u>

L & K GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

30 Controlling party

In the opinion of the directors there is no controlling party in either the current or previous year.

31 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	357,640	359,495
Adjustments for:		
Taxation charged	72,214	66,018
Finance costs	191,830	99,069
Investment income	(1,273)	(489)
Gain on disposal of investment property	(5,000)	-
Fair value gains and losses on foreign exchange contracts and investment properties	(62,600)	-
Amortisation and impairment of intangible assets	-	2,500
Depreciation and impairment of tangible fixed assets	82,498	80,264
Movements in working capital:		
(Increase)/decrease in debtors	(62,951)	84,668
(Decrease) in creditors	(47,962)	(145,999)
Cash generated from operations	524,396	545,526