

Company registration number 00066426 (England and Wales)

L & K GROUP PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



L & K GROUP PLC

COMPANY INFORMATION

Directors	Mrs J Bargh Mr S Cornthwaite Mr J A Dixon Mr J E Drinkall Mr J W Hodgson Mr T W Wilson Mr J T Garnett Mr K Kelsall Mr D J Nuttall
Secretary	Mrs K L Black
Company number	00066426
Registered office	J36 Rural Auction Centre Crooklands Kendal Cumbria United Kingdom LA7 7FP
Auditor	Azets Audit Services Fleet House New Road Lancaster United Kingdom LA1 1EZ
Bankers	Barclays Bank Plc 9 Highgate Kendal Cumbria United Kingdom LA9 4DA Lloyds Bank plc 5-6 King Street Penrith Cumbria United Kingdom CA11 7AP
Solicitors	Baines Wilson LLP 2 Merchants Drive Carlisle Cumbria United Kingdom CA3 0JW

L & K GROUP PLC

COMPANY INFORMATION

Thomson Hayton Winkley Limited
114-116 Stricklandgate
Kendal
Cumbria
United Kingdom
LA9 4QA

L & K GROUP PLC

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L & K GROUP PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The chairman is pleased to present this Strategic Report and the following Financial Statements for the year ended 31 December 2022.

With turnover and profit at record levels it was a strong performance.

Group revenue increased by 12.1% to £2,905,922 (2021: £2,591,629) and Group profit before taxation increased by 11.2% to £746,306 (2021: £670,919).

Despite the ongoing war in Ukraine, the increase in the rate of inflation and the continuing effects of the coronavirus affecting the early part of the year under review the Group has continued to trade profitably. The long-term effects of the war in Ukraine which I presaged in my report last year have sadly come to pass. Significantly increased input costs and disrupted supply chains combined with the major changes in government support for farming will inevitably mean continuing uncertainties in the agricultural sector and beyond.

The Group has been pro-active in considering a series of measures which taken together will help negate some of the effects of the wider economic turbulence. Some, such as the change to encourage payments by way of bank transfer rather than by card, will have been noticed by those who have dealings with the auction mart, but which are necessary to remain competitive within the industry. A programme of installing low energy lighting and reviewing all energy usage is well underway. The foresight to install solar panels in 2012 and then additional panels in 2017 has proven to be a wise investment.

As we celebrate being on the site at J36 Rural Auction Centre for ten years the Board has been actively pursuing the possibility of developing new space which will allow for the business of both 1818 Auctioneers and the Exhibition Hall and meeting rooms to continue growing beyond their current and constrained spaces. The release of the Exhibition Hall later this coming year back to its intended purpose adds a further dimension to the uses on the site at J36 where opportunities to bring in additional footfall to the site are welcomed. This new building will provide a fitting completion of the site which has developed over the last ten years and allow the directors to turn towards opportunities for Lancaster and potential relocation. The Board continues to review all opportunities regarding the land held at Junction 33 with a view to developing this land, when feasible, at the right time. Recent announcements by Lancashire County Council Highways department regarding the re-design of the proposed bypass of Galgate and the creation of the South Lancaster link road will be uppermost in your directors' strategic approach, and we hope to bring further news of our progress in the coming year.

Board changes

The changes to the Board during the year under review were set out in last year's report. There were no further changes during the year in question. At the last Annual General Meeting, the Directors brought forward a Special Resolution to change the Articles of Association by increasing the retirement age for Directors from 70 to 75. This would have brought the retirement age into line with the changes introduced by the Ministry of Justice. Unfortunately, although most shareholders agreed with the proposed change the resolution did not achieve the necessary 75% level of support required to pass a Special Resolution. Consequently, Directors continue to retire at the age of seventy and since the year end Alan Bargh has had to retire from the Board of Directors. On behalf of all those connected with the Group I extend my thanks to Alan for his years of service to the Group and his no-nonsense pragmatic approach. Your Board does not propose to pursue any further changes to the Articles of Association at the present time.

L & K GROUP PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Review of key financial figures

	2022	2021	2020	2019
	£	£	£	£
Income				
Turnover	2,905,922	2,591,629	2,254,532	2,121,107
Rental income	534,603	486,951	489,807	511,230
Adjusted Earnings				
Operating profit excluding fair value movements	951,752	850,318	691,334	477,646
Exceptional items	-	-	-	-
Depreciation	79,508	74,228	74,667	79,377
Adjusted Earnings before exceptional items	1,031,260	924,546	766,001	557,023

The individual reports for the holding company and each of the trading divisions within the Group are as follows:

L & K Group PLC - Holding Company

L & K Group Plc is the holding company for the other public facing companies and trading divisions. It charges management fees and rents to the individual divisions. This has the benefit of making the results of each division realistically comparable.

The Holding Company also operates the J36 Exhibition Hall and Meeting Rooms. In a year still partially affected by Covid measures and from having severely limited access to the Exhibition spaces as mentioned below, we are proud to report income of over £138,000 in the year under review. Under the management of Sean Eatherden and his two assistants this result highlights the huge potential for growth a facility such as ours has in the region. The building of a new space for 1818 Auctioneers and a minor reconfiguration of the existing spaces in the Exhibition Hall will add even further growth potential for this department.

The Holding Company also takes the lead, with advice as and when required from the NWA Professional division, on the management of its various rental properties. The Company ensures rents are collected on time and are reviewed in accordance with the Lease terms.

As Chairman, and on behalf of the Board, I must thank our Company Secretary Mrs Katie Black for the professional and efficient way she manages the diverse functions of the Holding Company on a day-to-day basis.

North West Auctions Limited

North West Auctions Limited contributed a profit before taxation of £432,397 (2021: £454,376)

Livestock

Although there were considerable changes during the year together with the extremely dry summer, which had a major impact on the autumn sales particularly with the shortage of keep and southern customers, the business managed to produce a similar profit to 2021 and close to budget.

Some livestock sectors were less in numbers, but overall volumes were similar to last year and this has been assisted by the introduction of further pedigree sheep and cattle sales and specialist online sales.

Along with inflation, values of most livestock classes have increased and again this has assisted in the overall performance of the business.

L & K GROUP PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

The focus during the year has been to control costs however some are out of our control and these increased costs have offset any financial income gains. Cost control will continue to remain our priority for 2023.

The online machinery sales at J36 have seen further growth in numbers and values and is gaining support from customers from all over the UK and further afield in Ireland and Europe. At present we are looking at ways to improve the way the items are presented and stored together with enhancing the security of the compound.

Going forward, with the change in support systems for farmers, further pressures on maintaining stock numbers will be challenging and will create further competitiveness in the market sector. We will be focusing on ensuring we remain both competitive and service driven in all aspects of our business.

1818 Auctioneers

1818 Auctioneers has again increased throughput, turnover and profit for 2022. The use of technology with timed auctions continues to produce outstanding results as well as improving its service to the client and developing new income streams.

In February 2022 Simon Thompson joined the team as Assistant Manager. Simon has fitted into the team very well and has the vision to drive 1818 Auctioneers forward in the future. With the growth in throughput during the Covid epidemic, 1818 Auctioneers had the use of the Exhibition Hall which allowed some sections to further expand. Now that exhibitions are being held again, this use of the hall has not allowed the Exhibition Hall team to take advantage of the potential to grow. Also, the interruption to 1818 Auctioneers' sales patterns by holding exhibitions has caused some peaks and troughs in the continuity of the service provided. In other words, both 1818 Auctioneers and the Exhibition Hall cannot reach their full potential as individual businesses without the creation of a new sales area which will then allow Sean Eatherden to lead the Exhibition Hall into its next phase of growth, the momentum of which was so badly interrupted by Covid.

With the increase of lots coming forward, the staff on the saleroom floor and in the office deserve a huge mention. The way that they have developed systems to cope with logistical management of goods being received or being collected, alongside a drive to improve systems is a credit to them.

1818 Auctioneers run twenty sales sections and each one of them produced figures ahead of budget in 2022. Shareholders will receive a discount if selling lots through 1818 Auctioneers so please make our staff aware if you wish to take advantage of the discount.

NWA Professional (M B Hodgson & Son Limited)

This department contributed a profit before taxation of £17,133 (2021: £1,702).

In the year under review our small team has performed extremely well and continues to provide a knowledgeable and professional service in all areas for our farm business clients. We have conducted a number of successful land sales during the year by private treaty, tender and by auction. We have also provided advice in Landlord and Tenant matters, farm business restructuring and provided valuations for many different purposes. The division has provided building design services and given planning advice successfully securing planning permissions for a number of clients. We have also supported farmers with advice on the transitional arrangements following the farm support payment reforms.

We have recently been joined by a new Farm Advisor, Will Huck, and with another member of staff returning in the summer the team will be up to full strength. With the ever-present guidance of Michael Mashiter and of Manager Kathryn Sayce, we continue to be well placed to provide much needed help, support, and advice for all manner of land and farm business needs. We pride ourselves on employing staff who have a strong farming connection, put simply they understand your business and their advice can help you in your particular circumstances.

During the year we created the 'NWA Professional Hub'. This will enable our staff to immediately engage trusted advisors in a wide number of specialities where circumstances require it - whether that be with Woodland Creation, Carbon Audits, Farming in Protected Landscapes through to Planning Consultancy for farm business diversification. With the continuing roll-out of information and changes to various support schemes the forthcoming year looks set to be a busy one. We therefore look forward with optimism as we seek to grow the business in the year ahead.

L & K GROUP PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Section 172 of the Companies Act 2006

The Directors of the Company must act in accordance with the legal requirements set out in the Companies Act. These requirements can be summarised as follows:

A director must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders. In doing so they must have regard (among other matters) to:

- a. The consequences of any decision in the long term,
- b. The interests of the company's employees,
- c. The need to foster the company's business relationships with suppliers, customers and others,
- d. The impact of the company's operations on the community and the environment,
- e. The desirability of the company maintaining a reputation for high standards of business conduct, and
- f. The need to act fairly as between members of the company.

The Board of Directors have received training from the Company's Solicitors to ensure they all understand and appreciate the importance of these obligations.

The Board take the danger of money laundering very seriously. All members of the Board undergo training to ensure they are fully aware of the various aspects of money laundering and procedures are in place to ensure the anti-money laundering legislation is complied with.

We provide a number of business-critical services to our clients. We ensure our staff are professionally trained and operate in a compliant way throughout the business. Our staff are at the heart of what we do and we make sure our staff are able to grow and be supported and their performance monitored and developed, nurturing talent where this is identified. We are a business looking to grow across all aspects of our operations, and do this by attracting new clients to use our services and develop our property portfolio in a sustainable way. We have strong relationships with our suppliers that have been established over many years, using local trades and companies where possible. Our business is centred around community and being a good neighbour in the areas we operate. Finally, the board is committed to engaging with our shareholders and it is important to us that our shareholders understand our strategy and objectives. We will issue regular updates and an interim financial summary each year.

Dividend

The Directors are recommending a dividend of 10 pence. (2021: 10 pence). With the planned development of new space for 1818 Auctioneers at the Junction 36 site and the costs for developing the Junction 33 site and the continuing economic uncertainties the Board feel it is prudent to maintain the dividend at the same rate as in 2021.

Outlook

Despite the numerous challenges facing the Group I look forward to the future with confidence, the Group continues to benefit from the diversified services it provides to farmers and the wider rural community. Your Board will continue to adopt a prudent approach to developing the business with a view to increasing income streams and enabling the Group to withstand the periodic downturns in the fortunes of the livestock auction mart. The Board are mindful of the fact the headwinds across several fronts resulting in the year-on-year increase in profitability seen in recent years may be reversed in the current year. Nevertheless, the success of the livestock auction mart continues to be always at the forefront of the Directors consideration. The Board continue to strive to have the number one go-to venues in the area for both farmers with stock and/or machinery to sell and for the wider community to visit for a wide range of goods and services.

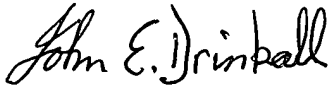
This aim would not be achievable without the dedication of the staff to whom I want to thank. The staff are the backbone of the business. Your whole Board wish to place on record their appreciation for the work they do, it is greatly valued. And finally, as ever, I wish to place on record my sincere thanks to my fellow directors for their support and guidance throughout the year.

L & K GROUP PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

This report was approved by the Board of Directors and signed on 29 March 2023 by the Chairman on its behalf.

A handwritten signature in black ink, appearing to read "John E. Drinkall". The signature is written in a cursive, flowing style.

Mr J E Drinkall
Chairman

L & K GROUP PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

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.

Results and dividends

The results for the year are set out on page 12.

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

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	(Resigned 17 January 2023)
Mrs J Bargh	
Mr S Cornthwaite	
Mr J A Dixon	
Mr J E Drinkall	
Mr J W Hodgson	
Dr M Lee	(Resigned 9 February 2022)
Mr T W Wilson	
Mr J T Garnett	
Mr K Kelsall	
Mr D J Nuttall	

In accordance with the company's Articles of Association, Mr D J Nuttall, Mr K Kelsall and Mr J T Garnett retire by rotation and, being eligible, offer themselves for re-election.

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.

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.

L & K GROUP PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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, Azets Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

The group is not required to report on its emissions, energy consumption or energy efficiency activities.

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

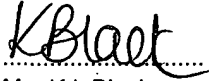
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order 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 2022

By order of the board



Mrs K L Black
Secretary

Date: 14 JUNE 2023

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 2022 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2022 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 group and parent 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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.

L & K GROUP PLC

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

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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which 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 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 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 is available on the Financial Reporting Council's website at: <https://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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Azets Audit Services

Susanna Cassey (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

Date: 22 June '23

Chartered Accountants
Statutory Auditor

Fleet House
New Road
Lancaster
United Kingdom
LA1 1EZ

L & K GROUP PLC

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	2,905,922	2,591,629
Cost of sales		(58,180)	(53,221)
Gross profit		2,847,742	2,538,408
Administrative expenses		(2,615,766)	(2,285,177)
Other operating income		719,776	597,087
Operating profit	4	951,752	850,318
Interest receivable and similar income	9	3,783	4,485
Interest payable and similar expenses	10	(209,229)	(183,884)
Profit before taxation		746,306	670,919
Tax on profit	11	(150,135)	(238,972)
Profit for the financial year	25	596,171	431,947
Other comprehensive income			
Tax relating to other comprehensive income		(14)	(52,341)
Total comprehensive income for the year		596,157	379,606

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.

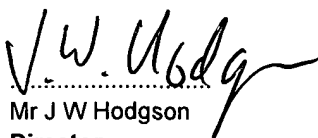
L & K GROUP PLC

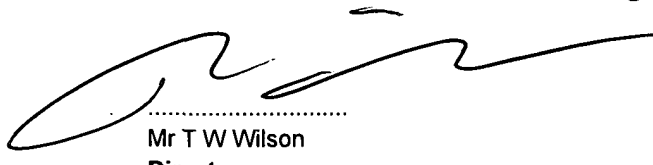
GROUP BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	14	6,149,960		6,069,381	
Investment properties	15	6,975,969		6,972,621	
Investments	16	1,633		1,633	
		<u>13,127,562</u>		<u>13,043,635</u>	
Current assets					
Debtors	18	2,713,661		2,498,563	
Cash at bank and in hand		89,998		93,800	
		<u>2,803,659</u>		<u>2,592,363</u>	
Creditors: amounts falling due within one year	19	<u>(2,944,142)</u>		<u>(3,003,707)</u>	
Net current liabilities			<u>(140,483)</u>		<u>(411,344)</u>
Total assets less current liabilities			<u>12,987,079</u>		<u>12,632,291</u>
Creditors: amounts falling due after more than one year	20		<u>(3,980,822)</u>		<u>(4,188,942)</u>
Provisions for liabilities					
Deferred tax liability	22	733,215		685,271	
		<u>733,215</u>		<u>685,271</u>	
Net assets			<u>8,273,042</u>		<u>7,758,078</u>
Capital and reserves					
Called up share capital	24	790,717		790,717	
Share premium account	25	73,562		73,562	
Revaluation reserve	25	1,420,398		1,420,412	
Other reserves	25	(125,000)		(125,000)	
Profit and loss reserves	25	6,113,365		5,598,387	
Total equity			<u>8,273,042</u>		<u>7,758,078</u>

The financial statements were approved by the board of directors and authorised for issue on 14 JUNE 2023 and are signed on its behalf by:


Mr J W Hodgson
Director


Mr T W Wilson
Director

L & K GROUP PLC

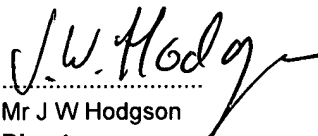
COMPANY BALANCE SHEET

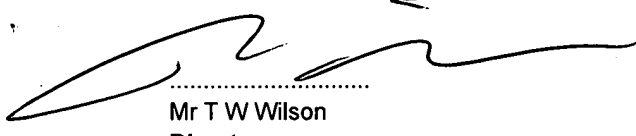
AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	14	5,921,329		5,904,074	
Investment properties	15	6,975,969		6,972,621	
Investments	16	1,638		1,638	
		<u>12,898,936</u>		<u>12,878,333</u>	
Current assets					
Debtors	18	75,345		46,754	
Cash at bank and in hand		46,879		59,921	
		<u>122,224</u>		<u>106,675</u>	
Creditors: amounts falling due within one year	19	<u>(1,563,660)</u>		<u>(1,495,231)</u>	
Net current liabilities			<u>(1,441,436)</u>		<u>(1,388,556)</u>
Total assets less current liabilities			<u>11,457,500</u>		<u>11,489,777</u>
Creditors: amounts falling due after more than one year	20		<u>(3,980,823)</u>		<u>(4,188,943)</u>
Provisions for liabilities					
Deferred tax liability	22	712,030		690,700	
		<u>(712,030)</u>		<u>(690,700)</u>	
Net assets			<u><u>6,764,647</u></u>		<u><u>6,610,134</u></u>
Capital and reserves					
Called up share capital	24	790,717		790,717	
Share premium account	25	73,562		73,562	
Revaluation reserve	25	762,173		762,187	
Profit and loss reserves	25	5,138,195		4,983,668	
Total equity			<u><u>6,764,647</u></u>		<u><u>6,610,134</u></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 £235,721 (2021 - £59,510 profit).

The financial statements were approved by the board of directors and authorised for issue on 14 JUNE 2023 and are signed on its behalf by:


Mr J W Hodgson
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 2022

		Share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss reserves	Total
	Notes	£	£	£	£	£	£
Balance at 1 January 2021		790,717	73,562	1,472,753	(125,000)	5,247,633	7,459,665
Year ended 31 December 2021:							
Profit for the year		-	-	-	-	431,947	431,947
Other comprehensive income:							
Tax relating to other comprehensive income		-	-	(52,341)	-	-	(52,341)
Total comprehensive income for the year		-	-	(52,341)	-	431,947	379,606
Dividends	12	-	-	-	-	(81,193)	(81,193)
Balance at 31 December 2021		790,717	73,562	1,420,412	(125,000)	5,598,387	7,758,078
Year ended 31 December 2022:							
Profit for the year		-	-	-	-	596,171	596,171
Other comprehensive income:							
Tax relating to other comprehensive income		-	-	(14)	-	-	(14)
Total comprehensive income for the year		-	-	(14)	-	596,171	596,157
Dividends	12	-	-	-	-	(81,193)	(81,193)
Balance at 31 December 2022		790,717	73,562	1,420,398	(125,000)	6,113,365	8,273,042

L & K GROUP PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2021		790,717	73,562	814,528	5,005,352	6,684,159
Year ended 31 December 2021:						
Profit for the year		-	-	-	59,509	59,509
Other comprehensive income:						
Tax relating to other comprehensive income		-	-	(52,341)	-	(52,341)
Total comprehensive income for the year		-	-	(52,341)	59,509	7,168
Dividends	12	-	-	-	(81,193)	(81,193)
Balance at 31 December 2021		790,717	73,562	762,187	4,983,668	6,610,134
Year ended 31 December 2022:						
Profit for the year		-	-	-	235,720	235,720
Other comprehensive income:						
Tax relating to other comprehensive income		-	-	(14)	-	(14)
Total comprehensive income for the year		-	-	(14)	235,720	235,706
Dividends	12	-	-	-	(81,193)	(81,193)
Balance at 31 December 2022		790,717	73,562	762,173	5,138,195	6,764,647

L & K GROUP PLC

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	29	884,852		71,895	
Interest paid		(209,229)		(183,884)	
Income taxes paid		(118,983)		(84,344)	
Net cash inflow/(outflow) from operating activities		556,640		(196,333)	
Investing activities					
Purchase of tangible fixed assets		(161,545)		(138,624)	
Proceeds on disposal of tangible fixed assets		13,725		-	
Purchase of investment property		(3,348)		(115,317)	
Proceeds on disposal of investment property		-		80,000	
Interest received		15		5	
Other income received from investments		3,768		4,480	
Net cash used in investing activities		(147,385)		(169,456)	
Financing activities					
Repayment of bank loans		(222,289)		(218,974)	
Dividends paid to equity shareholders		(81,193)		(81,193)	
Net cash used in financing activities		(303,482)		(300,167)	
Net increase/(decrease) in cash and cash equivalents		105,773		(665,956)	
Cash and cash equivalents at beginning of year		(2,173,233)		(1,507,277)	
Cash and cash equivalents at end of year		(2,067,460)		(2,173,233)	
Relating to:					
Cash at bank and in hand		89,998		93,800	
Bank overdrafts included in creditors payable within one year		(2,157,458)		(2,267,033)	

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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. The group trades from both this address and Lancaster Auction Mart, Wyresdale Road, Lancaster, Lancashire, LA1 3JQ.

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 2018 edition of FRS 102 includes amendments arising from the Financial Reporting Council's triennial review of the standard.

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 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': The disclosure requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A;
- Section 26 'Share based Payment': Share based payment arrangements required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

For the year ended 31 December 2022, 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 2022. These group subsidiaries are North West Auctions Limited and M B Hodgson & Son Limited

For the year ended 31 December 2022, 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 2022. These group subsidiaries are Kendal Auction Mart Limited, Lakeland Lamb Limited and The Lancaster Farmers Auction Mart Company Limited.

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.2 Business combinations

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.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company L & K Group Plc together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2022. 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.

1.4 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 £1,441,436 (2021: £1,388,556) and the group's current liabilities exceeded its current assets by £140,482 (2021: £411,344). The directors have prepared financial forecasts which demonstrate the future viability and profitability of the business. The directors have taken into consideration the impact of the current economic volatility and the continued trading activities of the group. 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 GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.5 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.

1.6 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.

1.7 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	10% 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 GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.8 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. Changes in fair value are recognised in profit or loss.

Property rented to a group entity is accounted for as tangible fixed assets.

1.9 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.

1.10 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible 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.

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 and cash equivalents

Cash and cash equivalents 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.

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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.

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.

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, 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.

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.

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2022**

1 Accounting policies

(Continued)

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 profit or loss 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 leased asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.18 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.19 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 GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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 residual values of tangible fixed assets are reviewed annually and amended when necessary.

Fair value of investment property

Investment property is measured at fair value at each reporting date, this is based on external valuations and the directors opinion on movement from these up until the reporting date. Management will assess whether there has been any evidence of impairment for the investment property assets each year.

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 £148,622 (2021: £136,665) is included in the trade debtors figure.

3 Turnover and other revenue

	2022 £	2021 £
Turnover analysed by class of business		
Agricultural commissions and fees	177,936	137,826
Auction commissions and fees	2,588,511	2,307,426
Estate agent commissions and fees	17,403	22,290
Farm advisory services	112,244	106,951
Advertising and other income net of costs	9,828	17,136
	<u>2,905,922</u>	<u>2,591,629</u>
	2022 £	2021 £
Turnover analysed by geographical market		
UK	<u>2,905,922</u>	<u>2,591,629</u>

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3 Turnover and other revenue	(Continued)	
	2022	2021
	£	£
Other revenue		
Interest income	15	5
Grants received	-	14,764
Other operating income	184,773	95,372
Net rents receivable	534,603	486,951

4 Operating profit	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	-	(14,764)
Depreciation of owned tangible fixed assets	79,508	74,232
Profit on disposal of tangible fixed assets	(12,267)	-
Operating lease charges	400	-

During the prior year, the group received rates reductions due to the covid-19 pandemic.

5 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 £596,157 (2021: £379,606).

	2022	2021
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

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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.

	2022	2021
Earnings per share (pence)		
Basic earnings per share	73.42	46.75
Diluted earnings per share	1.18	0.75
6 Auditor's remuneration		
Fees payable to the company's auditor and associates:	2022 £	2021 £
For audit services		
Audit of the financial statements of the group and company	11,990	11,960
For other services		
Taxation compliance services	1,930	1,655
All other non-audit services	7,300	7,100
	<u>9,230</u>	<u>8,755</u>

7 Employees

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

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Management staff	14	14	10	10
Livestock staff	53	54	-	-
Saleroom staff	18	15	-	-
Administrative staff	11	9	6	5
Total	<u>96</u>	<u>92</u>	<u>16</u>	<u>15</u>

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

7 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	1,476,204	1,208,358	208,253	177,862
Social security costs	110,582	82,326	15,248	12,102
Pension costs	24,210	21,391	4,316	3,987
	<u>1,610,996</u>	<u>1,312,075</u>	<u>227,817</u>	<u>193,951</u>

8 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	<u>49,400</u>	<u>49,875</u>

9 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	15	5
Income from fixed asset investments		
Income from other fixed asset investments	3,768	4,480
Total income	<u>3,783</u>	<u>4,485</u>

10 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and loans	<u>209,229</u>	<u>183,884</u>

11 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	102,205	118,981
Adjustments in respect of prior periods	-	2
Total current tax	<u>102,205</u>	<u>118,983</u>

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

11 Taxation

(Continued)

	2022 £	2021 £
Deferred tax		
Origination and reversal of timing differences	47,570	10,352
Changes in tax rates	-	109,622
Adjustment in respect of prior periods	360	1
Other adjustments	-	14
Total deferred tax	47,930	119,989
Total tax charge	150,135	238,972

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

	2022 £	2021 £
Profit before taxation	746,306	670,919
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	141,798	127,475
Tax effect of expenses that are not deductible in determining taxable profit	1,542	3,247
Change in unrecognised deferred tax assets	148	-
Adjustments in respect of prior years	-	1
Effect of change in corporation tax rate	11,417	109,622
Permanent capital allowances in excess of depreciation	-	2,753
Depreciation on assets not qualifying for tax allowances	1,385	1,260
Effect of revaluations of investments	-	14
Other non-reversing timing differences	-	(5,404)
Under/(over) provided in prior years	-	2
Deferred tax adjustments in respect of prior years	360	2
Effect of super-deduction	(6,515)	-
Taxation charge	150,135	238,972

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:

	2022 £	2021 £
Deferred tax arising on:		
Revaluation of property	14	52,341

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

11 Taxation (Continued)

12 Dividends	2022	2021
	£	£
Recognised as distributions to equity holders:		
Final paid	81,193	81,193
	<u>81,193</u>	<u>81,193</u>

13 Intangible fixed assets

Group	Customer list
	£
Cost	
At 1 January 2022	7,500
Disposals	(7,500)
	<u>-</u>
At 31 December 2022	-
Amortisation and impairment	
At 1 January 2022	7,500
Disposals	(7,500)
	<u>-</u>
At 31 December 2022	-
Carrying amount	
At 31 December 2022	-
	<u>-</u>
At 31 December 2021	-
	<u>-</u>

The company had no intangible fixed assets at 31 December 2022 or 31 December 2021.

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

14 Tangible fixed assets

Group	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2022	5,697,871	1,579,282	68,987	7,346,140
Additions	-	161,545	-	161,545
Disposals	-	(19,000)	-	(19,000)
At 31 December 2022	5,697,871	1,721,827	68,987	7,488,685
Depreciation and impairment				
At 1 January 2022	-	1,252,631	24,128	1,276,759
Depreciation charged in the year	-	74,113	5,395	79,508
Eliminated in respect of disposals	-	(17,542)	-	(17,542)
At 31 December 2022	-	1,309,202	29,523	1,338,725
Carrying amount				
At 31 December 2022	5,697,871	412,625	39,464	6,149,960
At 31 December 2021	5,697,871	326,651	44,859	6,069,381
Company	Freehold land and buildings £	Fixtures and fittings £	Total £	
Cost or valuation				
At 1 January 2022	5,697,871	492,736	6,190,607	
Additions	-	55,160	55,160	
At 31 December 2022	5,697,871	547,896	6,245,767	
Depreciation and impairment				
At 1 January 2022	-	286,533	286,533	
Depreciation charged in the year	-	37,905	37,905	
At 31 December 2022	-	324,438	324,438	
Carrying amount				
At 31 December 2022	5,697,871	223,458	5,921,329	
At 31 December 2021	5,697,871	206,203	5,904,074	

Freehold land and buildings with a carrying amount of £5,697,871 (2021: £5,697,871) is security against bank loans held by the group.

At the year end the carrying amount of investment property held by the group and company which is rented to another group entity, where the group and company have chosen to account for such properties using the cost model in accordance with FRS 102 section 17 is £4,991,824 (2021: £4,984,125).

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

14 Tangible fixed assets

(Continued)

Group and company land and buildings with a carrying amount of £1,900,000 were revalued by a director of a subsidiary company on an open market basis at 27 March 2017. The directors consider this to be fair value at 1 January 2018 and this has been applied as deemed cost in application of the FRS 102 triennial review.

The following assets are carried at valuation. If the assets were measured using the cost model, the carrying amounts would be as follows:

	2022 £	2021 £
Group		
Cost	321,417	321,417
Accumulated depreciation	(42,397)	(42,397)
Carrying value	<u>279,020</u>	<u>279,020</u>
Company		
Cost	321,417	321,417
Accumulated depreciation	(42,397)	(42,397)
Carrying value	<u>279,020</u>	<u>279,020</u>

15 Investment property

	Group 2022 £	Company 2022 £
Fair value		
At 1 January 2022	6,972,621	6,972,621
Additions through external acquisition	3,348	3,348
At 31 December 2022	<u>6,975,969</u>	<u>6,975,969</u>

Independent valuations were carried out in March 2017 by Pinders and in November 2021 by Lambert Smith Hampton, 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 2022.

The property held by the group and company of £6,975,969 (2021: £6,972,621) is security against bank loans held by the group.

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

16 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	17	-	-	5	5
Unlisted investments		1,633	1,633	1,633	1,633
		<u>1,633</u>	<u>1,633</u>	<u>1,638</u>	<u>1,638</u>

Movements in fixed asset investments Group

Cost or valuation

At 1 January 2022 and 31 December 2022	Investments £
	<u>1,633</u>

Carrying amount

At 31 December 2022	Investments £
	<u>1,633</u>
At 31 December 2021	<u>1,633</u>

Movements in fixed asset investments Company

	Shares in subsidiaries £	Other investments £	Total £
Cost or valuation			
At 1 January 2022 and 31 December 2022	<u>375,004</u>	<u>1,633</u>	<u>376,637</u>
Impairment			
At 1 January 2022 and 31 December 2022	<u>374,999</u>	<u>-</u>	<u>374,999</u>
Carrying amount			
At 31 December 2022	<u>5</u>	<u>1,633</u>	<u>1,638</u>
At 31 December 2021	<u>5</u>	<u>1,633</u>	<u>1,638</u>

17 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
Kendal Auction Mart Limited	England	Dormant	Ordinary	100.00
Lakeland Lamb Limited	England	Dormant	Ordinary	100.00
M B Hodgson & Son Limited	England	Land agents and auctioneers	Ordinary	100.00
North West Auctions Limited	England	Livestock auctioneers	Ordinary	100.00
The Lancaster Farmers Auction Mart Company Limited	England	Dormant	Ordinary	100.00

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

17 Subsidiaries

(Continued)

The registered office address of all group companies is J36 Rural Auction Centre, Crooklands, Milnthorpe, Cumbria, LA7 7FP.

18 Debtors

	Group 2022 £	2021 £	Company 2022 £	2021 £
Amounts falling due within one year:				
Trade debtors	2,650,858	2,467,866	15,426	23,052
Amounts owed by group undertakings	-	-	25,932	16,521
Other debtors	23,146	1,947	23,146	1,946
Prepayments and accrued income	39,657	28,750	10,841	5,235
	<u>2,713,661</u>	<u>2,498,563</u>	<u>75,345</u>	<u>46,754</u>

19 Creditors: amounts falling due within one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans and overdrafts	21	2,376,764	2,500,508	219,306	233,475
Trade creditors		135,969	95,530	34,677	16,489
Amounts owed to group undertakings		-	-	990,333	987,836
Corporation tax payable		102,205	118,983	39,740	26,383
Other taxation and social security		176,673	158,226	44,328	42,207
Other creditors		26,656	27,397	19,532	13,533
Accruals and deferred income		125,875	103,063	215,744	175,308
		<u>2,944,142</u>	<u>3,003,707</u>	<u>1,563,660</u>	<u>1,495,231</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.

20 Creditors: amounts falling due after more than one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans and overdrafts	21	3,980,822	4,188,942	3,980,822	4,188,942
Amounts owed to group undertakings		-	-	1	1
		<u>3,980,822</u>	<u>4,188,942</u>	<u>3,980,823</u>	<u>4,188,943</u>

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

21 Loans and overdrafts

	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans	4,200,128	4,422,417	4,200,128	4,422,417
Bank overdrafts	2,157,458	2,267,033	-	-
	<u>6,357,586</u>	<u>6,689,450</u>	<u>4,200,128</u>	<u>4,422,417</u>
Payable within one year	2,376,764	2,500,508	219,306	233,475
Payable after one year	<u>3,980,822</u>	<u>4,188,942</u>	<u>3,980,822</u>	<u>4,188,942</u>

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 £3,008,078 (2021: £3,223,779) 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.

22 Deferred taxation

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

Group	Liabilities 2022 £	Liabilities 2021 £
Accelerated capital allowances	515,159	467,229
Investment property	<u>218,056</u>	<u>218,042</u>
	<u>733,215</u>	<u>685,271</u>
Company	Liabilities 2022 £	Liabilities 2021 £
Accelerated capital allowances	493,974	472,658
Investment property	<u>218,056</u>	<u>218,042</u>
	<u>712,030</u>	<u>690,700</u>

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

25 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 on application of the triennial review 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.

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 £251,987 (2021: £251,987).

At the balance sheet date the group had non-distributable profit and loss reserves of £251,987 (2021: £251,987).

26 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 £2,157,458 (2021: £2,267,033).

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2022 £	2021 £
Aggregate compensation	284,698	185,095

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

27 Related party transactions

(Continued)

Transactions with related parties

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

	Sales 2022 £	Sales 2021 £	Purchases 2022 £	Purchases 2021 £
Group				
Directors	2,123	2,387	-	3,000
Other related parties	342	408	-	1,282
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Company				
Key management personnel	-	-	-	3,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the year the group earned commission on sales made by the directors of £54,433 (2021: £51,620). 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	2022 £	2021 £
Company		
Entities over which the company has control, joint control or significant influence	1,107,502	1,066,062
	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2022 Balance £	2021 Balance £
Group		
Directors	1,199	415
Other related parties	342	-
	<u> </u>	<u> </u>
Company		
Entities over which the company has control, joint control or significant influence	25,932	16,521
	<u> </u>	<u> </u>

28 Controlling party

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

L & K GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

29 Cash generated from group operations

	2022 £	2021 £
Profit for the year after tax	596,171	431,947
Adjustments for:		
Taxation charged	150,135	238,972
Finance costs	209,229	183,884
Investment income	(3,783)	(4,485)
Gain on disposal of tangible fixed assets	(12,267)	-
Depreciation and impairment of tangible fixed assets	79,508	74,232
Movements in working capital:		
Increase in debtors	(215,098)	(783,108)
Increase/(decrease) in creditors	80,957	(69,547)
Cash generated from operations	884,852	71,895

30 Analysis of changes in net debt - group

	1 January 2022 £	Cash flows £	31 December 2022 £
Cash at bank and in hand	93,800	(3,802)	89,998
Bank overdrafts	(2,267,033)	109,575	(2,157,458)
	(2,173,233)	105,773	(2,067,460)
Borrowings excluding overdrafts	(4,422,417)	222,289	(4,200,128)
	(6,595,650)	328,062	(6,267,588)