



**Lincolnshire  
Co-operative Ltd  
directors' report  
and financial  
statements**

For the year to  
2nd September 2017



# Our purpose

**Bringing together  
ideas, energy and resources  
to make life better in our communities**

## Together we are...



...providing and  
supporting  
valued services



...helping to  
grow the  
local economy



...caring for  
our health and  
wellbeing



...looking after  
our local  
environment

# Our approach

...keeping it **local**

...developing **people**

...working in our **communities**

...growing a community of **members**

...building strength for the **long term**

**...helpful** **...inspiring** **...trustworthy**

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## Your Board of Directors and Managers

Top row, left to right: **Margaret Tranter, Jane Moate, Stuart Parker, Peter Gault, David Maltby, Mark Bowen, John Levine**  
**Reverend Barbara Hutchinson, Sue Neal**

Bottom row, left to right: **Jane Powell (Group Secretary), Stephen Hughes, Julia Romney, Ursula Lidbetter (Chief Executive Officer)**

### Directors, Senior Management and Auditors

#### Board of Directors

- Julia Romney  
*President*
- \* Stephen Hughes BPharm  
*Vice President*
- +\* Stuart Parker BSc (Eng)  
*Chair of Pension Scheme Trustees and Remuneration Committee*
- \* Sue Neal
- +\* David Maltby  
*Chair of Audit Committee*
- \* Reverend Barbara Hutchinson
- Mark Bowen MSc PgCert, DipCG, FCMI, CMgr
- Peter Gault MBA
- + John Levine FCA
- Margaret Tranter
- Jane Moate
- Audit Committee
- + Board Nominated Trustee of the Pension Scheme
- \* Remuneration Committee

#### Senior Leadership Team

- +Ursula Lidbetter MBE, BSc Hons, FCIS, DL  
*Chief Executive Officer*
- Jane Powell LLB Hons, MBA  
*Group Secretary*
- David Dernley Dip.F.D. MBIE.  
*Head of Funeral Services*
- Laura Dunne BA Hons  
*Head of Marketing and Membership*
- Alastair Farquhar BSc, MRPharmS  
*Head of Pharmacy*
- Mark Finn LLB Hons MBA  
*Chief Retail Officer*
- Stephen Galjaard BA Hons, FCA  
*Chief Financial Officer*
- Heather Lee BA Hons, FCIPD, MBA  
*Head of People and Performance*
- Andrew Turner  
*Head of Group Services*

#### Auditors

KPMG LLP, 1 St Peter's Square, Manchester M2 3AE

#### Registered Office

Stanley Bett House, 15/23 Tentercroft St, Lincoln LN5 7DB  
 No. 141R



### For the year ended 2 September 2017

The Society's trading activities include food stores, bakery, filling stations, post offices, pharmacy, travel agency, funeral services, crematorium, florist and a portfolio of commercial and residential properties.

### Trading review

Competition in all sectors in which we trade has been intense. We have continued to increase our customer base, our sales and our market share.

In our food stores, we delivered an enhanced refit programme to add more chilled products and food-to-go to follow changing trends. This was another year of strong growth with sales up 6.8%, helped by both an increase in customer numbers and the average basket spend. We were particularly pleased that our sales of locally sourced products increased by 22% to over £2 million for the first time. We're delighted that so many local suppliers are now growing their businesses by working in collaboration with us. In our Bakery, sales fell slightly following two years of very strong growth.

Both the volume and value of fuel through our filling stations was affected by our major refurbishment programme and the closure of one filling station early in the financial year. The refitted stations are trading successfully and this refurbishment work will carry on in the new year. Our Carholme Road outlet in Lincoln has recently been awarded Best Gulf filling station in the UK.

In our Post Offices, income continues to fall but we have supported this service with some transformation monies received from the Post Office, as we know how important these facilities are to our communities.

Our Travel Agencies helped more passengers and booking values also rose, resulting in a sales increase of 10%.

The predicted cuts to NHS Pharmacy income, together with a further significant cut announced in July 2017, depressed income severely. Our pharmacies were busier than ever with growth in prescription numbers and also our other services, such as medicine use reviews, the new medicine service and all the check ups and advice we give. This was supplemented by our health pod, which visits localities and events to bring healthcare into communities.

In our Funeral Service, we were able to help more clients this year and particularly our services have grown in Grimsby and Gainsborough, where we have undertaken a major refurbishment of our premises. Our Crematorium in Surfleet is also providing a service to an ever wider catchment, as people appreciate the high standard of the facilities. Funeral plan sales also grew strongly as we promoted this service more widely. A large proportion of our customers are now choosing to make their arrangements in advance and this can be seen in the increased amount of dividend paid out this year.

Property rental income declined this year as we sold a small number of properties no longer required, including our former store at Winsover Road in Spalding, and sites in Gainsborough and Lincoln which we transferred to Lidl. We also provided some land in Lincoln city centre for the building of the new bus station. A number of properties, including many in Lincoln city centre, have been held vacant this year due to the large scale of our development and refurbishment programme.

The Society's total sales increased by 3.5% to £312 million. Another strong trading year delivered a trading surplus of £16 million, down £4 million on last year due primarily to NHS cuts to pharmacy income but also our development work, pension costs and the new dividend card roll out.

New dividend cards have been issued to all our members this year, together with a key fob and the ability to use our new app. This was prompted by innovations in technology which make the cards cheaper and also our new food till system which is under development, and with which the cards will integrate. We signed up 28,181 new members this year and membership now stands at 286,661.

The Board is recommending to members that £4.1m is allocated to dividend from which £2.2m has been paid out during the year, and that a dividend bonus of 85p is awarded to members for every £1 of dividend distributed in the year.

The Society's reserves have strengthened by £32m, following work done to reduce the defined benefit pension deficit, which fell from £61.5m to £27.7m. The Society continues to provide substantial support to the defined benefit scheme, paying in £7.7m in the year in addition to £0.8m paid into the new defined contribution scheme.

Following a decrease last year, the strong trading result and improved pension position contributed to growth in the Society's net assets from £270m to £301m.

### Developments

We have been talking to colleagues and members about our role in providing and supporting valued services, helping to grow the local economy, caring for our health and wellbeing and looking after our local environment. Members, colleagues and partners have come together with their ideas, energy and resources to help make life better in our communities.

This year, we have opened a new food store in Goxhill and upgraded 19 others. We have successfully trialled donating our surplus food from our stores to good causes in the area. We hope to roll this out further in the coming year. We took over the co-ordination of the Health Walks programme from Lincolnshire County Council, through which 250 volunteers lead 65 regular walks across the county. We'd like to thank all our volunteers in our health walks, our libraries and many other activities for the great contribution they make to wellbeing in our communities.

We've opened two new Funeral Homes towards the end of the year in Coningsby and in Market Rasen, which were very well received. We have also transferred our Pharmacy in Heckington to new premises.

We made the tough decision to change the way we deliver our ambient food products to our stores and provide local meat to our customers. These changes had significant impact on the Society's food operations and we are grateful to all colleagues who helped the transition go smoothly, but particularly to colleagues whose roles were redundant as part of this process. During the transition period, they worked with great professionalism and we are very pleased that with our support most have managed to find alternative jobs, either with the Society or other local firms. We wish them all well.

We are delighted that our investment in Lincoln city centre is at last coming to fruition with the refurbishment of the Corn Exchange building. Further phases of the Cornhill Quarter project will continue through 2018 and we hope that members, customers and local traders are pleased with the results so far.

We were proud to open the Boole Technology Centre on our Lincoln Science and Innovation Park, a joint venture with the University of Lincoln, and to welcome our new tenants onto the Science Park campus. We've also invested in our precinct at Riverside, Sleaford and are building an M&S food hall on vacant land at Tritton Road.

Our new membership programme has been very successful, with 2,377 members coming along to the various events.

25,000 members have also gone online to our new website, where personalised information is available and offers from other local business and attractions.

We'd also like to thank everybody who's helped with fundraising. This year we've raised money for local community groups, homelessness charities, hospices and green spaces, and given a magnificent £663,000 worth of support.

The following staff have received awards for:-

### 25 years' service

**Malcolm Dixon**, *Funeral Operative*  
Louth Funeral Service

**Samantha Sellars**, *Customer Service Assistant*  
Ruskington Food Store

**Sylvia Wilkinson**, *Food Store Manager*  
Springfields Food Store

**Jacqueline Beeley**, *Customer Services Assistant*  
Birchwood Food Store, Lincoln

**Karen Wenlock**, *Customer Services Assistant*  
Metheringham Food Store

**Jonathan Lee**, *Pharmacist Manager*  
Cabourne Avenue Pharmacy

**Sorren Ashmore**, *Retail Administration Manager*  
Food Leadership Team

**Nicholas Wood**, *Transport Administrator*  
Lincoln Transport

**Debra Abbott**, *Helpdesk Clerk*  
City Square Food Store, Lincoln

**Gary Wells**, *Senior Warehouse Assistant*  
Pharmacy Warehouse

### 40 years' service

**Margaret Wilkinson**, *Receptionist*  
Head Office, Lincoln

**Janice Varley**, *Helpdesk Clerk*  
Long Sutton Food Store

### 50 years' service

**David Tomlinson**, *Transport Administrator*  
Lincoln Transport

## Employees

Our popular volunteering programme has grown again, and, with our communities and members, we've recorded over 27,000 volunteering hours, more than double last year. Colleagues volunteered for a whole host of projects, from the Big Co-op Clean, to supporting St Barnabas Hospice with fundraising and aiding Boultham Park regeneration programme in Lincoln.

We were re-accredited with Investors in People Gold award in January, and in March our Get into Retail cohort in conjunction with the Prince's Trust saw 40 young people attend a taster day with 16 successfully completing the 3 week placement. The majority of the young people were offered positions with the society.

### Condolences

It is with regret that we report the deaths of the following pensioners and employees and we extend our condolences to their families and friends:-

**Liam Candlin**, aged 21  
*Distribution, Lincoln*

**Maria Anderson**, aged 56  
*Churchill Drive Post Office*

**Susan Smith**, aged 62  
*Nunthorpe Food Store*

**Lyn Pickering**, aged 63  
*Distribution*

**Violet Reding**, aged 64  
*Wrights Car Administration*

**Teresa Rippon**, aged 66  
*Dairy*

**Judith Smith**, aged 70  
*The Willows Post Office*

**Sheelagh Rich**, aged 74  
*Sutton on Trent Food Store*

**James Charters**, aged 77  
*Transport*

**Ena Wakefield**, aged 81  
*Newark Road Pharmacy*

**Stanley Moore**, aged 94  
*Woodhall Drive Food Store*

**Cyril Jackson**, aged 95  
*Menswear Retail*

**Kurt Herrman**, aged 95  
*Newland Transport*

### Acknowledgement

The directors extend their thanks and appreciation to the members for their continued support and to all the Society's staff, as the progress made would not be possible without their efforts.

For and on behalf of the Board,

**Julia Romney**, *President*

**Stephen Hughes**, *Vice President*

**Ursula Lidbetter**, *Chief Executive Officer*

**Jane Powell**, *Group Secretary*

As a co-operative the Society seeks to operate its business in accordance with co-operative values and principles. It uses a variety of different tools to measure and monitor performance. We have included information about some of the measures used in this section.

### Member Economic Involvement

This is a measure of the overall amount of our trade which is conducted with members as a proportion of our turnover. In business areas where members use their dividend card for purchases we use that data to calculate the proportion of our turnover with members. In other business units where that information is not readily available we use pro-rata estimates.

Taking all that into account this year we conducted 52.6% of trade with members, slightly up on last year (52.5%).

### Member Democratic Participation

As a co-operative it's important our members are engaged with us at a democratic level, so we measure the proportion of our members who vote in the elections for the board. This year there were three candidates in an election for three places and 6,746 members voted, equating to 2.4% of members, an improvement on last year's figure of 2.2%.

### Participation of Employees in Training and Education

Each year we calculate how much time on average each employee has spent on training away from their normal workplace. Last year we recorded an average of 12.4 training hours for each employee, this year there was a reduction to 10.1 hours as more training was delivered online.

### Staff Injury and Absentee Rates

We measure and record the total number of accidents and reportable accidents which occur each year. There were 252 incidents involving staff during the year as against 246 last year. Of those incidents 18 were reportable compared to 10 in 2016. We also record the average number of days employees take off due to sickness. The average number of days lost through injury, illness or unplanned absence was 7.5 slightly up on last year's comparable of 7.3 days per employee.

### Staff profile – gender and ethnicity

The Society records the gender and ethnicity of its employees. This tends to be fairly stable year on year due to the low level of staff turnover. This year 71.9% of our staff were female and 28.1% male as against 71.5% female and 28.5% male last year. We also monitor the diversity of our colleagues and currently 1.5% of those who tell us about their ethnicity have an ethnic minority background compared to 1.6% last year.

### Customer Satisfaction

We asked our food business customers how satisfied they were with their shopping experience. 96% of customers were either highly satisfied or satisfied.

### Investment in Community and Co-operative Initiatives

We report on the percentage of our pre-tax profits which are invested in community or co-operative initiatives. Over the year we have invested £979,000 in community initiatives and £33,000 in co-operatives and their development. This equates to about 4.4% of our pre-tax profits. The actual amount invested is more than last year when the equivalent figures were £850,000 (community initiatives) and £33,000 (co-operatives and their development). This year we invested a lower percentage of our profits than last year (6.1%) because our pre-tax profits also grew.

### Net CO2 emissions arising from operations

We record the net tonnes of CO2 which are emitted from energy used by all our on-site operations (excluding transport). This year we produced 1,546 tonnes of CO2 from on-site operations, the same as last year.

### Waste recycled or re-used

We measure and report on the percentage of our waste which is diverted from landfill as a percentage of our total waste. This year we recycled, reused or incinerated as energy from waste 93% of our waste, the same percentage as last year.

### Supplier Payment Policy

It is Society policy to agree the terms of payment as part of the commercial arrangements negotiated with suppliers and then pay according to those terms based upon the timely receipt of an accurate invoice. Trade creditor days for the year to 2 September 2017 were the same as last year at 30 days.

### Statement under the Modern Slavery Act 2015

We have reported on our ethical approach to procurement for a number of years. Last year for the first time we were required by law to publish a statement outlining the steps taken during the financial year to ensure that slavery and human trafficking are not taking place in our business or supply chain. During the year we've reviewed our processes generally and are pleased to include this updated statement.

This statement is made in accordance with section 54 of the Modern Slavery Act 2015.

Modern slavery encompasses slavery, servitude, human trafficking and forced labour. Lincolnshire Co-operative Ltd has a zero-tolerance approach to any form of modern slavery. We are committed to acting ethically and with integrity and transparency in our business dealings and to putting effective systems and controls in place to safeguard against any form of modern slavery taking place within the business or our supply chain.



### Our business

Our diverse trading activities entail trading or other relationships with approximately 5,200 organisations.

### Our high-risk areas

We are reviewing the processes of our core suppliers and have not identified any activities which are at high risk of slavery or human trafficking.

It is important to note that 83% of the Society's food turnover is from goods sourced and approved through a central buying agreement with the Co-operative Group Ltd. A copy of their Modern Slavery Statement can be found at <https://www.co-operative.coop/ethics/modern-slavery>

### Our policies and procedures

We operate internal policies to ensure that we are conducting business in an ethical and transparent manner. An Anti-Slavery policy is being developed and will set out our stance on modern slavery.

We operate robust recruitment procedures which include conducting eligibility to work in the UK checks for all employees.

We have a whistleblowing policy so that all employees know they can raise concerns about how colleagues are treated, or practices within our business or supply chain, without fear of reprisal.

We are also committed to reviewing and updating our policies and procedures during the forthcoming financial year to further identify and mitigate risk, to expand upon our training and to develop appropriate performance and monitoring procedures.

### Our suppliers

We have begun reviewing and reinforcing our approved supplier list and are identifying ways we can ensure there is no modern slavery in our supply chain .

In addition, as part of our contract with suppliers, we will be requiring that they confirm to us that:

1. They have taken steps to eradicate modern slavery within their business
2. They hold their own suppliers to account over modern slavery
3. They pay their employees at least the national minimum wage / national living wage (as appropriate)
4. We may terminate the contract at any time should any instances of modern slavery come to light.

### Training

We are in the process of developing a training programme for our procurement/buying teams so they understand the signs of modern slavery and what to do if they suspect that it is taking place within our supply chain.

### Our performance indicators

We will know the effectiveness of the steps that we are taking to ensure that slavery and/or human trafficking is not taking place within our business or supply chain if no reports are received from employees, the public, or law enforcement agencies to indicate that modern slavery practices have been identified.

### Approval for this statement

This statement was approved by the Board of Directors on 23rd October 2017

Signed

**Julia Romney**, *President*

As a Registered Society under the Co-operative and Community Benefit Societies Act 2014, Lincolnshire Co-operative Ltd is not subject to the provisions of the UK Corporate Governance Code\*. However, Co-operatives UK (which is the representative body for co-operatives in the UK) has issued a voluntary code for consumer co-operatives. This code is based on the principles contained in the UK Corporate Governance Code but is tailored to the particular governance characteristics found within co-operative societies. A copy of the code applicable to co-operatives is available from the Group Secretary or can be found on the Co-operatives UK website.

The board has responsibility to outline how the Society has complied with the principles of the Code and to explain any instances of non-compliance. This report covers the period between September 2016 and August 2017.

### Society Structure

Co-operatives are member led and democratically controlled organisations. The board has sought to encourage members to play their part in the governance of the business and to improve member participation. It is committed to the principles of member democratic control and elections to the board took place during the year.

The Society has a board which currently comprises eleven directors. Nine directors are elected by and from the members of the Society and two have been appointed by the elected directors. Any such appointments are ratified by the members at the Society's annual meetings in accordance with the rules. The maximum term a director can serve without standing for re-election is three years. In addition a maximum of three directors may be appointed by the elected directors. All directors are subject to a maximum term of office of nine years, although there are transitional provisions which apply to directors who were in place before the changes came into effect.

In accordance with Society rules, Julia Romney was elected as President of the Society in June 2017. Kevin Shaw resigned as a director of the Society and John Levine was appointed in his place on 7th August 2017. We thank Kevin for serving the Society diligently during the 2 years he was director.

Carol Bratton was a director until 3rd June 2017 when her term of office came to an end and she decided not to stand for re-election. We thank her for her loyal commitment to the Society during the 10 years she was a member of the board.

16 meetings of the board were held during the year. Each individual director's attendance was as follows:-

Names of Directors	Board	Audit Committee	Remuneration Committee
Margaret Tranter	15(16)	3(3)	
Julia Romney	16(16)		
David Maltby	13(16)	3(3)	
Stuart Parker	15(16)	3(3)	1(1)
Susan Neal	14(16)		1(1)
Carol Bratton	10(13)		1(1)
Stephen Hughes	15(16)		1(1)
Rev Barbara Hutchinson	13(16)		1(1)
Kevin Shaw	14(16)	0(2)	
Mark Bowen**	10(16)	1(3)	
Peter Gault	14(16)		
Jane Moate	2(3)		

Some directors hold positions on group or associated companies. Stephen Hughes is also a member of the Co-operative Group Members' Council. The Reverend Barbara Hutchinson and Mark Bowen are directors of the Lincolnshire Centre for Grief and Loss Ltd and Mark Bowen, Stephen Hughes and Julia Romney are directors of Lincolnshire CDA Ltd.

A programme of continuing development and training is in place for the board. A skills audit and performance evaluation of the Board, is undertaken regularly. The Institute of Chartered Secretaries and Administrators were commissioned to undertake a performance evaluation of the board and submitted their recommendations in October 2016. The board has set up a sub-committee to work through the report and create a plan for implementing the recommendations.

On an annual basis, the Board evaluates its performance in respect of Corporate Governance. The results are contained in this report.

### Board Elections

In May 2017 elections for 3 positions on the Board took place. There were 3 candidates and 6,746 votes were cast with 11 spoilt papers. Subject to the rules of the Society the results are set out below:-

<b>Sue Neal</b>	3,502 votes (3 years)
<b>Jane Moate</b>	2,848 votes (3 years)
<b>Stephen Hughes</b>	2,625 votes (3 years)

### The Board

The board is responsible for setting the Society's objectives and strategy, monitoring delivery by management of that strategy and identifying any management risk. The board also has a duty to ensure that the Society operates as a bona fide co-operative and adheres to the values and principles unique to such organisations.

The Society's rules prescribe certain duties and responsibilities which are the sole preserve of the board. These include, for example, the power to establish member committees and determination of capital expenditure delegated authority levels.

The board meets on a regular basis throughout the year. At its meetings, it receives reports from management on trading and other matters, reviews the financial performance of the Society for the period and cumulatively for the year, and considers papers presented for decision or information. Decisions made are actioned as appropriate by management

( ) possible attendance

\*The UK Corporate Governance Code, which applies to listed companies, is a voluntary code rather than a regulatory requirement. However, the UK Listing Rules require listed companies to report on how they have complied with the code in their annual report and accounts.

\*\*Mark Bowen was unable to attend some of the meetings due to illness and this period of non-attendance was authorised by the board.

The board has delegated the management of the Society's activities to the Chief Executive and her Management Team. The members of the Senior Leadership Team are identified on page 1. To comply with the Code we are required to report any outside directorships held by them. Andrew Turner is a director of Hill Holt Wood, Hill Holt In The Community Limited and Queen Elizabeth's Grammar School, Horncastle, Stephen Galjaard is a director of Lincolnshire Community Land Trust CIC, and Investors In Lincoln Ltd, Alastair Farquhar is a trustee of the Lincolnshire Home Independence Agency, and a director of the Lincolnshire Centre for Grief and Loss Ltd, Heather Lee is chair of Sir Robert Pattinson Academy, and a director of Beewise Credit Union, Co-operative Employers Association Ltd and Blue Symmetry Ltd and David Dernley is a director of the Lincolnshire Centre for Grief and Loss Ltd.

The Group Secretary can only be appointed or removed by the board and is independent of the management structure. All directors have access to the advice and services of the Group Secretary at all times. In addition, external professional advice may be taken if requested by at least 4 directors.

### Board Balance and Independence

All directors who have held office during this year are non-executive and hold the following occupations:-

<b>Julia Romney</b>	<i>Security</i>
<b>Stephen Hughes</b>	<i>Retired Pharmacist</i>
<b>Susan Neal</b>	<i>Phlebotomist</i>
<b>Stuart Parker</b>	<i>Engineer</i>
<b>Kevin Shaw</b>	<i>Chartered Accountant</i>
<b>Rev Barbara Hutchinson</b>	<i>Hospital Chaplain</i>
<b>David Maltby</b>	<i>Retired Company Director</i>
<b>Carol Bratton</b>	<i>Business Development Advisor</i>
<b>Peter Gault</b>	<i>Manager</i>
<b>Mark Bowen</b>	<i>Innovation Centre Manager</i>
<b>Margaret Tranter</b>	<i>Retired Accounts Supervisor</i>
<b>Jane Moate</b>	<i>Retired Banker</i>
<b>John Levine</b>	<i>Retired Chartered Accountant</i>

The Chief Executive Officer, Ursula Lidbetter is a director of Investors in Lincoln Ltd, Federal Retail and Trading Services Ltd and LCCI Services Ltd. She is also a member of the Council of the University of Hull and chairs Lincoln City Centre Partnership Ltd, Lincolnshire Chamber of Commerce & Industry and Greater Lincolnshire LEP Ltd. Jane Powell is a director of The Priory Federation of Academies and a trustee of the John Robert Halkes Settlement and the Lincoln Diocesan Trust and Board of Finance Ltd. Kevin Shaw is a director of Wright Vigar Ltd and Jericho Investments Ltd and Margaret Tranter is a director of Beewise Credit Union.

The Secretary maintains a register of directors' interests to ensure they do not participate in any decisions where they may have an interest. The rules of the Society provide that members are debarred from becoming directors in circumstances where specific interests in other organisations are held.

### The President

The President of the Society is elected by the board at its first meeting each year following the half yearly meeting of members. The President acts as chair at all board meetings.

### Audit Committee

The Audit Committee of the board currently comprises three elected directors (who are not employees of the Society) and two appointed directors. The chair of the committee is David Maltby and during the year its membership included Kevin Shaw (a chartered accountant). Following his resignation in August 2017 John Levine was appointed to the committee. The committee is scheduled to meet at least three times a year.

Its written terms of reference are regularly reviewed by the board of directors and include:-

1. Consideration of the appointment, reappointment and removal of the external auditor, subject to confirmation by the members and consideration of the scope of the audit;
2. Review of the financial statements and the auditor's report;
3. Review of the internal audit programme and all internal audit reports;
4. Review of the Society's statement on internal control systems; and
5. Limits on the level of non-audit work which the Society's external auditor can do without prior approval of the committee

The committee always takes the opportunity to meet the external auditors and the internal auditors without the presence of management during the year.

The chair of the Audit Committee reports the outcome of all Audit Committee meetings to the board at the first board meeting after the Audit Committee and the board receives the minutes of the Audit Committee meetings.

During the year the board undertook a review of the systems of internal control and does not consider that any weaknesses have come to light that have resulted in material losses or contingencies which require disclosure.

### Internal Control Framework

The Society has adopted an internal control framework which the directors consider appropriate to its size and diversity.

### Risk Management

The board and executive management have the primary responsibility for identifying the key business risks facing the Society and the development of appropriate policies to manage these risks.

### Control Environment

The Society has clearly defined reporting lines and levels of delegated authority. Expenditure authorisation levels are set for every area of the business. Large capital projects and acquisitions require prior board approval in accordance with the criteria set out in the schedule of matters reserved to the board. The group is centrally controlled.

## Control Activities

Procedure manuals cover the key control systems and all divisions are required to comply with them. The intranet is used for dissemination and updating policy documents and instruction manuals, key information and reporting forms.

## Whistleblowing

A documented whistleblowing procedure is in place and communicated to employees. To complement this, a detailed anti-fraud policy has been developed and a dedicated confidential reporting phone line established. This policy is reviewed by the Audit Committee.

## Monitoring

Internal audit services are outsourced to Streets Accountants and this ensures that resources are concentrated in the areas where they are most required. The use of an external service provider for this role gives flexibility and an independent view. An annual report of the activities of the internal audit service has been produced for the year 2016/17. The internal auditor's overall assurance statement is set out on page 12.

An annual programme for the audit of all key systems and controls has been agreed with the Audit Committee. Any weaknesses identified are highlighted to management and to the Audit Committee which monitors all internal audit reports and ensures that appropriate actions are taken.

## Compliance Statement

The Society complies with the Corporate Governance Code for Consumer Co-operative Societies launched in November 2013 ('the Code') except as set out below:-

### Acquisitions and Disposals (Code Provision 22)

The Code requires that a board proposing transactions, acquisitions or disposals involving 25% or more of the Society's members' funds should be reported to members at a consultative meeting. Although no such transaction has been concluded during the year and none is contemplated, the board are concerned that placing certain information in the public domain may prejudice the successful conclusion of any negotiations.

### Disclosure – The Annual Report and Financial Statements (Code Provisions 113 and 114)

Details of the individual remuneration packages of the Chief Executive Officer and management executive are not disclosed, or put to members for an advisory vote, but an explanation of this is contained within the Remuneration Report.

### Audit Committee (Code Provision 125)

During the year the President (who acts as chair of the Board) was also a member of the audit committee. As the President stood down from this position in June 2017 and only took office in June 2016 it is considered that this does not create a situation of undue influence.

### Chair (Code Provision 70)

During the year a new President was appointed who is a current employee of the Society. The President's appointment is for a year and will be vacated in June 2018. It is considered that this does not compromise the integrity or independence of the chair.

The corporate governance compliance statement set out above is hereby signed on behalf of the Board of Directors pursuant to paragraph 165 of the Code.

**Julia Romney**, *President*

**Ursula Lidbetter**, *Chief Executive Officer*

**Jane Powell**, *Group Secretary*



### Underlying Principles

The principle which the Society and the board adopt in relation to remuneration is that no-one should be involved in consideration or determination of their own remuneration package or any aspect of that package.

### Directors

The members approve the directors' fees. The research which precedes a recommendation to members is undertaken by the Group Secretary, who obtains external advice, usually from Co-operatives UK and other co-operative societies.

Directors' fees were last reviewed on 23 May 2007 when the present arrangements were agreed by members. Since then fees have been updated in line with the index of average earnings, in accordance with a formula approved by members.

The present flat rate fees are:-

President	£5,784
Vice-President	£4,785
Directors	£4,353

In addition to the flat rate fees, directors are entitled to delegation fees for undertaking duties authorised by the board which are outside the Society. The present scale of delegation fees was agreed by members on 23 May 2007. There is also a formula for updating delegation fees in line with the index of average earnings. This formula was also agreed by members. The present level of delegation fees is:-

For delegations up to four hours £10.27

For delegations over four hours £20.54

Delegation fees are not paid in respect of attendance at an organisation which itself pays fees, if the director concerned receives such a fee. When on business delegated by the board, directors receive mileage allowances for using their own cars, reimbursement of public transport fares and reimbursement of reasonable actual expenditure for meals and hotels.

For the year ended 2 September 2017 individual directors' total gross remuneration (including expenses and delegation fees) was as follows:-

<b>Stephen Hughes</b>	£5,206
<b>Susan Neal</b>	£5,249
<b>Julia Romney</b>	£5,229
<b>Stuart Parker</b>	£5,836
<b>Margaret Tranter</b>	£4,628
<b>Carol Bratton</b>	£4,004
<b>Rev Barbara Hutchinson</b>	£4,805
<b>David Maltby</b>	£4,461
<b>Mark Bowen</b>	£4,330
<b>Peter Gault</b>	£4,392
<b>Kevin Shaw</b>	£4,372
<b>Jane Moate</b>	£1,063
<b>John Levine</b>	£251

### Executives

The remuneration packages of the Chief Executive and the Group Secretary are determined by the board on the recommendation of the Remuneration Committee. Their remuneration is not set out in this report, but note 3 of the financial statements sets out the information required to comply with accounting standard FRS 102.

Unlike most plcs and in common with many other consumer co-operatives, the Chief Executive and the Group Secretary are not appointed or elected members of the Board and under the arrangements outlined in this report, do not play any part in the consideration or determination of their own remuneration package.

The Remuneration Committee is made up of the five longest serving non-employee directors and is chaired by the longest serving. Remuneration Committee meetings held during the year comprised the following members:-

Stuart Parker (Chair)

Sue Neal

Rev Barbara Hutchinson

Stephen Hughes

David Maltby

The Group Secretary is Secretary to the Remuneration Committee but is excluded from any part of any meeting where her own remuneration is under consideration.

The Remuneration Committee obtains advice from external professional advisers, principally Co-operatives UK who themselves have access to industry data worldwide through their partnership with Hay Group.

The objective of the Remuneration Committee is to pay at the median point for the relevant professional discipline.

Determination of the remuneration packages of other members of the senior management team is delegated to the Chief Executive who discusses her approach and her conclusions with the Remuneration Committee.

**Stuart Parker**

*Chair*

## Opinion

We have audited the financial statements of Lincolnshire Co-operative Ltd for the year ended 2 September 2017 which comprise the Group Revenue Account, Group Statement of Comprehensive Income, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Changes in Funds Employed and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of the Group's and the Society's affairs as at 2 September and of the income and expenditure of the Group and the Society for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and the Society in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## Other information

The directors are responsible for the other information, which comprises the Directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

In addition to our audit of the financial statements, the directors have engaged us to review whether their Corporate Governance Statement on pages 7 to 9 reflects the Society's compliance with provisions 43 and 123 to 152 of Co-operatives UK Limited's Corporate Governance Code for Consumer Co-operative Societies issued in November 2013 ('the Code'). We have nothing to report in this respect.

## Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Society has not kept proper books of account; or
- the Society has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Society's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

## Directors' responsibilities

As more fully explained in their statement set out on page 12 the Society's directors are responsible for the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the Society'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 they either intend to liquidate the Group or the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Society in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and, in respect of the reporting on corporate governance, on terms that have been agreed. Our audit work has been undertaken so that we might state to the Society those matters we are required to state to it in an auditor's report and, in respect of the reporting on corporate governance, those matters we have agreed to state to it in our 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 Society for our audit work, for this report, or for the opinions we have formed.

**Nicola Quayle** (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 St Peter's Square  
Manchester, M2 3AE

## Statement of directors' responsibilities in respect of the financial statements

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

Co-operative and Community Benefit Society 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 UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Society and of the income and expenditure of the Group and the Society for that period.

In preparing each of the Group and the Society financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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, and
- assess the Group and the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Society and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Board Certification

The financial statements on pages 13 to 32 are hereby signed on behalf of the Board of Directors pursuant to the Co-operative and Community Benefit Societies Act 2014.

Julia Romney	President
Stephen Hughes	Vice President
Jane Powell	Group Secretary

### Internal Auditors' Overall Assurance Statement

In our opinion, for the year 2016/17, Lincolnshire Co-operative Ltd has an adequate, effective and reliable framework of internal control which provides reasonable assurances regarding the effective and efficient achievements of objectives.

Whilst some deficiencies in control have been identified, we are satisfied that they are being resolved in an appropriate manner. This is based on managements' responses to our findings and our recommendation tracking procedures and follow up work which have confirmed that actions have been taken or are proposed to be taken in accordance with the agreed action plans as previously reported to the audit committee.

### Streets Internal Audit

### Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The financial statements are prepared on the historic cost basis except that property and funeral plans are stated at their fair value. The net assets of the Society were £301,124,000 at 2nd September 2017, the Group had no borrowings, trading surplus remains robust and the Society has adequate resources to continue in operational existence for the foreseeable future. Hence the financial statements have been prepared on a going concern basis.

### Basis of consolidation

The Group Financial Statements consolidate Lincolnshire Co-operative Ltd. and its active subsidiaries as follows:

#### Wholly Owned:-

LCS Retail Ltd.  
 Lincoln Shop Equipment Ltd.  
 LCS Property Ltd.  
 Lincoln Corn Exchange & Markets (1991) Ltd.  
 Greetwell Developments Ltd.  
 Gadsby’s of Southwell Ltd.  
 South Lincolnshire Crematorium Ltd.  
 52 weeks to 2nd September 2017

Lincoln Co-operative Chemists Ltd.  
 12 months to 31st August 2017

#### Majority Owned:-

Lincoln Science and Innovation Park Ltd.  
 12 months to 31st August 2017

#### Joint Venture:-

LC Community Projects Ltd.  
 12 months to 31st August 2017

A subsidiary is an entity that is controlled by the Society. The results of subsidiary undertakings are included in the Group Revenue Account from the date that control commences until the date that control ceases. Control is established when the Society has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

### Basis of consolidation (continued)

A joint venture is a contractual arrangement in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group’s share of the profits of jointly controlled entities is included in the Group Revenue Account and its interest in their net assets is recorded on the Group Balance Sheet using the equity method.

### Intangible assets

Purchased goodwill and pharmacy licences are capitalised and amortised over their estimated useful life which is deemed to be a maximum of 20 years.

### Gross sales

Gross sales includes cash sales, NHS income, post office income and property rental income, inclusive of value added tax.

Gross sales also includes amounts recognised in respect of sales made on an agency basis, principally relating to travel sales, with a reduction to the value of commission receivable shown separately in arriving at turnover.

### Tangible fixed assets and depreciation

Trading properties are included at current fair values after being subject to depreciation at the appropriate rate and to impairment charges where appropriate. Other fixed assets are stated at their acquisition cost and are depreciated over their expected useful lives to their estimated residual values by equal instalments based on the following minimum rates:

Freehold land	Nil
Freehold and Long leasehold buildings	2% p.a.
Fixtures, fittings and plant	5 - 25% p.a.
Transport	14 - 33% p.a.

Investment properties are stated at current fair value and are not subject to depreciation.



## Assets leased to the group

Operating lease rentals are charged to the Group Revenue Account on a straight line basis over the period of the lease.

## Taxation

The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

## Stocks

Stocks are valued at the lower of cost and net realisable value.

## Repairs

Repair expenditure is charged to the Group Revenue Account in the year that the cost was incurred.

## Dividend and dividend bonus

A charge is made to the Group Revenue Account which represents the amount accounted for as dividend in the year together with the additional amount approved by the membership at the previous Annual Members Meeting.

The provision for unredeemed dividend in the Group Balance Sheet is based on the full redemption value of the dividend and has been shown as a current liability.

## Cash and liquid resources

Cash, for the purpose of the Group Cash Flow Statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash).

## Investments

Fixed asset investments, other than funeral plans are stated at cost less provision for any permanent diminution in value. Investments held as current assets are stated at the lower of cost and net realisable value.

## Debtors

Debtors are measured at amortised cost less any impairment.

## Creditors

Creditors, other than funeral plans, are measured at amortised cost.

## Funeral plans

Amounts received in advance for funeral plans are recorded at fair value as assets and liabilities. Changes in fair value are included in the Group Revenue Account.

## Funeral benefits

Funeral benefits are treated as a distribution in the financial statements, reflecting the underlying substance of the benefit.

## Pension costs

### Defined Benefit Scheme

The Society operates a defined benefit scheme. The assets of this scheme are held separately from those of the Society. The scheme closed to new entrants in December 2012.

Pension scheme assets are measured using fair values. For quoted securities the current bid price is taken as fair value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency of the liability. The pension scheme deficit is recognised in full. The movement in this scheme deficit is split between operating charges, finance items and in the statement of comprehensive income, the actuarial gains and losses.

### Defined Contribution Scheme

Following the closure of the defined benefit scheme to new entrants, the Society now also operates a defined contribution scheme.

The amount charged to the Group Revenue Account represents the contributions payable to the scheme in respect of the accounting period. The assets of this scheme are held separately from those of the Group in an independently administered fund.

## Group Revenue Account

Year Ended 2nd September 2017

	Notes	2017 (52 weeks) £'000	2016 (52 weeks) £'000
<b>Gross sales (including vat)</b>		<b>311,655</b>	301,176
Less: value added tax		<u>(23,766)</u>	<u>(22,846)</u>
<b>Turnover (including agency turnover)</b>	1	<b>287,889</b>	278,330
Less: agency share of turnover		<u>(21,857)</u>	<u>(19,866)</u>
<b>Turnover</b>		<b>266,032</b>	258,464
Less: cost of sales		<u>(171,935)</u>	<u>(164,515)</u>
<b>Gross profit</b>	1	<b>94,097</b>	93,949
Less: expenses – ordinary trading	2	<u>(76,552)</u>	<u>(72,774)</u>
		17,545	21,175
Less: expenses – member benefits and grants	7	<u>(1,515)</u>	<u>(1,150)</u>
<b>Trading surplus</b>	1	<b>16,030</b>	20,025
Surplus/(deficit) on sale of fixed assets		780	(376)
Surplus/(deficit) on revaluation of property		<u>641</u>	<u>(942)</u>
<b>Operating surplus</b>		<b>17,451</b>	18,707
Group share of surplus in joint ventures	12	-	212
Deficit on transfer of operations	4	<u>(2,052)</u>	-
Gains on curtailments of pension benefits	5	12,000	-
Net finance charges	6	<u>(819)</u>	<u>(942)</u>
<b>Surplus for the year before payments to and on behalf of members</b>		<b>26,580</b>	17,977
Less: payments to and on behalf of members	7	<u>(3,806)</u>	<u>(3,504)</u>
<b>Surplus for the year before taxation</b>		<b>22,774</b>	14,473
Taxation	8	<u>(4,545)</u>	<u>(3,199)</u>
<b>Surplus for the year</b>		<b>18,229</b>	11,274
Attributed to:			
Non-controlling interests		<b>(44)</b>	(39)
Transferred to reserves		<u>18,273</u>	<u>11,313</u>
		<b>18,229</b>	11,274

The accounting policies on pages 13 to 14 and the notes on pages 20 to 32 form part of these accounts

## Group Statement of Comprehensive Income

Year Ended 2nd September 2017

	2017 (52 Weeks) £'000	2016 (52 Weeks) £'000
<b>Retained surplus for the year</b>	<b>18,229</b>	11,274
Unrealised deficit on revaluation of trading properties	(630)	(342)
Share Interest	(24)	(44)
Current tax on share interest	4	9
Actuarial gain/(loss) on pension scheme	18,223	(27,260)
Deferred tax on actuarial gain/(loss)	(3,308)	4,222
<b>Total comprehensive income/(losses) for the year</b>	<b>32,494</b>	(12,141)
<b>Attributable to:</b>		
Non-controlling interests	(44)	(39)
Transferred/(charged) to reserves	32,538	(12,102)
	<b>32,494</b>	(12,141)

The accounting policies on pages 13 to 14 and the notes on pages 20 to 32 form part of these accounts

## Group Balance Sheet

As at 2nd September 2017

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	9	12,061	13,366
Tangible assets	10	97,001	92,882
Investment properties	11	199,954	193,192
Investments	12	32,904	26,355
Share of joint venture	12	20	170
		<u>341,940</u>	<u>325,965</u>
<b>Current assets</b>			
Stocks - goods for resale		12,274	14,471
Debtors			
- amounts falling due within one year	13	14,789	14,437
- amounts falling due after more than one year	13	4,241	9,955
Investments	12	1,800	1,300
Cash at bank and in hand		35,764	36,411
		<u>68,868</u>	<u>76,574</u>
<b>Creditors: amounts due within one year</b>			
Creditors	14	43,692	39,813
Dividend	14	4,277	4,124
		<u>47,969</u>	<u>43,937</u>
<b>Net current assets</b>		<b>20,899</b>	<b>32,637</b>
<b>Total assets less current liabilities</b>		<b>362,839</b>	<b>358,602</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(34,026)</b>	<b>(27,593)</b>
<b>Net assets excluding pension liability</b>		<b>328,813</b>	<b>331,009</b>
Pension liability	19	(27,689)	(61,506)
<b>Net assets</b>		<b>301,124</b>	<b>269,503</b>
<b>Financed by:</b>			
Share capital	16	7,072	7,945
Revaluation reserve		65,232	63,171
Revenue reserve		228,795	198,318
<b>Members' funds</b>		<b>301,099</b>	<b>269,434</b>
Non-controlling interests	17	25	69
<b>Total funds employed</b>		<b>301,124</b>	<b>269,503</b>

The accounting policies on pages 13 to 14 and the notes on pages 20 to 32 form part of these accounts



## Group Cash Flow Statement

Year ended 2nd September 2017

	Notes	2017 (52 weeks) £'000	2016 (52 weeks) £'000
<b>Net cash flow from operating activities</b>	18	<b>19,316</b>	25,979
<b>Cash flow from investing activities</b>			
Sale of tangible fixed assets		4,643	5,674
Interest received		170	278
Dividend from joint venture		150	-
Purchase of tangible fixed assets		(20,093)	(18,744)
Purchase of fixed asset investments		(3,737)	(3,215)
Acquisition of businesses		-	(933)
Transfer of operations		(245)	-
Sale of business		22	-
		<u>(19,090)</u>	<u>(16,940)</u>
<b>Cash flow from financing activities</b>			
Issue of shares	16	787	1,061
Redemption of shares	16	(1,660)	(1,539)
Issue of Shares to Non-controlling Interests		-	112
		<u>(873)</u>	<u>(366)</u>
<b>Net (decrease)/increase in cash</b>		<u>(647)</u>	<u>8,673</u>
<b>Cash at start of the year</b>		<b>36,411</b>	27,738
<b>Cash at end of the year</b>		<b>35,764</b>	36,411

The accounting policies on pages 13 to 14 and the notes on pages 20 to 32 form part of these accounts

## Group Statement of Changes in Funds Employed

	Share Capital	Revaluation Reserve	Revenue Reserve	Members Funds	Non- controlling Interests	Total Funds
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At September 2015</b>	<b>8,423</b>	<b>62,755</b>	<b>210,836</b>	<b>282,014</b>	<b>(4)</b>	<b>282,010</b>
Surplus	-	-	11,313	11,313	(39)	11,274
Other comprehensive losses	-	(342)	(23,073)	(23,415)	-	(23,415)
Transfer on disposal of properties	-	784	(784)	-	-	-
Transfer between reserves	-	(26)	26	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>416</b>	<b>(12,518)</b>	<b>(12,102)</b>	<b>(39)</b>	<b>(12,141)</b>
Share capital contributions	1,017	-	-	1,017	112	1,129
Share capital withdrawals	(1,539)	-	-	(1,539)	-	(1,539)
Share interest	44	-	-	44	-	44
<b>Transactions with members</b>	<b>(478)</b>	<b>-</b>	<b>-</b>	<b>(478)</b>	<b>112</b>	<b>(366)</b>
<b>At September 2016</b>	<b>7,945</b>	<b>63,171</b>	<b>198,318</b>	<b>269,434</b>	<b>69</b>	<b>269,503</b>
Surplus	-	-	18,273	18,273	(44)	18,229
Other comprehensive losses	-	(630)	14,895	14,265	-	14,265
Transfer on disposal of properties	-	938	(938)	-	-	-
Transfer between reserves	-	1,753	(1,753)	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>2,061</b>	<b>30,477</b>	<b>32,538</b>	<b>(44)</b>	<b>32,494</b>
Share capital contributions	763	-	-	763	-	763
Share capital withdrawals	(1,660)	-	-	(1,660)	-	(1,660)
Share interest	24	-	-	24	-	24
<b>Transactions with members</b>	<b>(873)</b>	<b>-</b>	<b>-</b>	<b>(873)</b>	<b>-</b>	<b>(873)</b>
<b>At September 2017</b>	<b>7,072</b>	<b>65,232</b>	<b>228,795</b>	<b>301,099</b>	<b>25</b>	<b>301,124</b>

## Notes to the Financial Statements

### 1. Segmental analysis

The Group has two principal segments, which are retail and investment property. The results of the two segments are:

	2017 (52 Weeks) £'000	2016 (52 Weeks) £'000
<b>Turnover (including agency turnover)</b>		
Retail	275,748	265,635
Investment property	12,141	12,695
<b>Total</b>	<u>287,889</u>	<u>278,330</u>
<b>Gross profit</b>		
Retail	81,856	81,254
Investment property	12,241	12,695
	<u>94,097</u>	<u>93,949</u>
<b>Common costs</b>	<u>(78,067)</u>	<u>(73,924)</u>
<b>Trading surplus</b>	<u>16,030</u>	<u>20,025</u>
<b>Net assets</b>		
Retail	104,422	79,385
Investment property	196,702	190,118
<b>Total</b>	<u>301,124</u>	<u>269,503</u>

### 2. Expenses – ordinary trading

	2017 (52 Weeks) £'000	2016 (52 Weeks) £'000
Personnel costs	48,300	45,996
Occupancy costs	9,215	8,633
Hire of plant – operating leases	50	65
Depreciation	5,874	5,490
(Surplus)/Deficit on sale of fixed assets	(8)	21
Amortisation of intangible fixed assets	1,305	1,292
Auditors' remuneration:		
- Audit of these financial statements	35	34
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	44	43
- Other services including taxation advice	2	7
Directors' fees	50	46
Other expenses	11,685	11,147
<b>Total expenses – ordinary trading</b>	<u>76,552</u>	<u>72,774</u>

## Notes to the Financial Statements

### 3. Employees

The average number employed by the Group in the year ended 2nd September 2017.

	<b>2017</b> <b>Number</b>	<b>2016</b> <b>Number</b>
Part-time	1,753	1,760
Full-time	1,137	1,108
	<u>2,890</u>	<u>2,868</u>

The costs incurred in respect of these employees were:

	<b>2017</b> <b>(52 Weeks)</b> <b>£'000</b>	<b>2016</b> <b>(52 Weeks)</b> <b>£'000</b>
Wages and salaries	41,763	40,228
Social security costs	2,682	2,491
Other pension costs	3,855	3,277
<b>Total personnel costs</b>	<u>48,300</u>	<u>45,996</u>

Included in total personnel costs is an amount of £2,167,000 (2016 £2,096,000) relating to the senior leadership team. Please see page 10 for further detail of how the remuneration of directors and the senior leadership team is determined.

### 4. Deficit on transfer of operations

During the year the Society concluded a review of its meat processing and ambient food distribution activities. The decision was made to outsource the distribution to another co-operative and to purchase packaged meat product from existing and new suppliers. The personnel costs and provisions for the write down of fixtures, fittings, plant and transport totalled £2,052,000.

### 5. Gains on curtailments of pension benefits

From 1 April 2017 increases in pensionable pay for members of the defined benefit pension scheme are capped at 2.5% per annum. This resulted in a one of gain of £12,000,000.

### 6. Net finance charges

	<b>2017</b> <b>(52 Weeks)</b> <b>£'000</b>	<b>2016</b> <b>(52 Weeks)</b> <b>£'000</b>
<b>a) Interest receivable</b>		
Funeral plans	2,947	342
Unlisted investments	15	24
Expected return on pension scheme assets	2,367	3,408
Other interest	155	265
	<u>5,484</u>	<u>4,039</u>
<b>b) Interest payable</b>		
Funeral plans	2,947	342
Interest cost on pension scheme obligations	3,356	4,628
Other interest	-	11
	<u>6,303</u>	<u>4,981</u>
<b>Net finance charges</b>	<u>819</u>	<u>942</u>

## Notes to the Financial Statements

### 7. a) Expenses – member benefits and grants

	2017 (52 weeks) £'000	2016 (52 Weeks) £'000
Donations to charity and community groups	367	256
Forfeits on shares	(126)	(159)
Member and community activities	1,474	1,253
Release of prior year provisions	(200)	(200)
	<u>1,515</u>	<u>1,150</u>
<b>b) Payments to and on behalf of members</b>		
Dividend	2,203	1,925
Further dividend approved by members	1,575	1,567
	<u>3,778</u>	<u>3,492</u>
Funeral benefit	28	12
<b>Total</b>	<u>3,806</u>	<u>3,504</u>

Dividend of £2,203,000 (2016: £1,925,000) has been accounted for during the year. Member purchases qualifying for such distribution are determined by the Board of Directors, from time to time, as is the rate of distribution. A recommendation to allocate a further £1,897,000 (2016: £1,575,000) will be made at the forthcoming members meeting making a total of £4,100,000 (2016: £3,500,000).

A dividend bonus of 85p (2016: 85p) for every £1 of qualifying dividend distributed has been recommended by the Board of Directors, which will be paid to members in proportion to the dividend already distributed in the year under review, if approved by members.

### 8. Taxation

	2017 (52 weeks) £'000	2016 (52 weeks) £'000
<b>a) Analysis of tax charge in year</b>		
<b>Current tax</b>		
UK corporation tax at 19.6% (2016: 20.0%) on surplus for the year	1,550	3,369
Overprovision in prior years	(61)	(204)
Share of tax in joint venture	-	42
<b>Current tax charge for the year</b>	<u>1,489</u>	<u>3,207</u>
<b>Deferred tax</b>		
Taxation on pension adjustments	3,056	(8)
<b>Taxation provided in the Group Revenue Account</b>	<u>4,545</u>	<u>3,199</u>
<b>Other comprehensive income items</b>		
Tax on share interest	(4)	(9)
Deferred tax on pension scheme	3,308	(4,222)
	<u>3,304</u>	<u>(4,231)</u>



## Notes to the Financial Statements

### b) Factors affecting tax charge for the year

The current tax charge for the period is higher (2016: higher) than the standard rate of corporation tax in the UK 19.6% (2016: 20.0%). The differences are explained below.

	2017 (52 weeks) £'000	2016 (52 weeks) £'000
Surplus on ordinary activities before taxation	<u>22,774</u>	<u>14,473</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.6% (2016: 20.0%)	4,464	2,895
Effects of:		
Permanent differences between items affecting tax and accounting surplus	142	508
Overprovision in prior years	<u>(61)</u>	<u>(204)</u>
<b>Taxation provided in the Group Revenue Account</b>	<u><b>4,545</b></u>	<u><b>3,199</b></u>

The standard rate of corporation tax in the UK is expected to reduce to 17% in 2020. This reduction will change the Group's future tax charge accordingly.

### 9. Intangible fixed assets

	Goodwill £'000	Licences £'000	Total £'000
<b>Cost</b>			
At September 2016	7,137	18,786	25,923
Disposals	<u>(75)</u>	<u>-</u>	<u>(75)</u>
<b>At September 2017</b>	<u><b>7,062</b></u>	<u><b>18,786</b></u>	<u><b>25,848</b></u>
<b>Amortisation</b>			
At September 2016	5,011	7,546	12,557
Charged in the year	368	937	1,305
Disposals	<u>(75)</u>	<u>-</u>	<u>(75)</u>
<b>At September 2017</b>	<u><b>5,304</b></u>	<u><b>8,483</b></u>	<u><b>13,787</b></u>
<b>Net book value</b>			
<b>At September 2017</b>	<u><b>1,758</b></u>	<u><b>10,303</b></u>	<u><b>12,061</b></u>
At September 2016	<u>2,126</u>	<u>11,240</u>	<u>13,366</u>

10. Tangible fixed assets – trading

	Land & Buildings £'000	Fixtures Fittings & Plant £'000	Transport £'000	Total £'000
<b>Fair value/original cost</b>				
At September 2016	76,281	42,084	6,505	124,870
Transfer to investment properties	(297)	-	-	(297)
Additions	3,160	7,012	1,074	11,246
Disposals	-	(3,048)	(1,173)	(4,221)
Revaluation	(1,378)	-	-	(1,378)
<b>At September 2017</b>	<b><u>77,766</u></b>	<b><u>46,048</u></b>	<b><u>6,406</u></b>	<b><u>130,220</u></b>
<b>Depreciation</b>				
At September 2016	-	27,982	4,006	31,988
Charged in the Year	910	4,238	714	5,862
Disposals	-	(2,833)	(888)	(3,721)
Revaluation	(910)	-	-	(910)
<b>At September 2017</b>	<b><u>-</u></b>	<b><u>29,387</u></b>	<b><u>3,832</u></b>	<b><u>33,219</u></b>
<b>Net Book Value</b>				
<b>At September 2017</b>	<b><u>77,766</u></b>	<b><u>16,661</u></b>	<b><u>2,574</u></b>	<b><u>97,001</u></b>
At September 2016	<u>76,281</u>	<u>14,102</u>	<u>2,499</u>	<u>92,882</u>

The value of land and buildings includes £1,146,000 (2016: £1,501,000) of leaseholds, the remainder being freehold.

The value of Buildings depreciated was £45,500,000 (2016: £43,400,000). A valuation of trading properties was carried out by Banks, Long & Co., Chartered Surveyors, of 26 Westgate, Lincoln as at 2nd September 2017 which valued all of the Group's trading land and buildings at current fair value at £77,766,000 (2016: £76,281,000). This valuation has been incorporated within the Group Balance Sheet.

## Notes to the Financial Statements

### 11. Fixed assets – investment properties

	Freehold £'000	Leasehold £'000	Landlords Fixtures £'000	Total £'000
<b>Fair value/original cost</b>				
At September 2016	191,725	1,430	618	193,773
Transfers	297	-	-	297
Additions	9,417	-	11	9,428
Disposals	(3,411)	(20)	(34)	(3,465)
Revaluation	460	20	-	480
<b>At September 2017</b>	<b>198,488</b>	<b>1,430</b>	<b>595</b>	<b>200,513</b>
<b>Depreciation</b>				
At September 2016	-	-	581	581
Charged in the Year	-	-	12	12
Disposals	-	-	(34)	(34)
<b>At September 2017</b>	<b>-</b>	<b>-</b>	<b>559</b>	<b>559</b>
<b>Net Book Value</b>				
<b>At September 2017</b>	<b>198,488</b>	<b>1,430</b>	<b>36</b>	<b>199,954</b>
At September 2016	191,725	1,430	37	193,192

A valuation of investment properties was carried out by Banks, Long & Co., Chartered Surveyors, 26 Westgate, Lincoln as at 2nd September 2017. The valuation was carried out in accordance with RICS valuation standards on a fair basis. The historic cost of land and buildings included in notes 10 and 11 is £212,452,000 (2016: £206,265,000).

### 12. a) Investments

	Fixed Assets		Current Assets	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Co-operative Group Ltd.	290	290	-	-
Other investments	123	118	-	-
Funeral plans	32,491	25,947	1,800	1,300
<b>Totals investments</b>	<b>32,904</b>	<b>26,355</b>	<b>1,800</b>	<b>1,300</b>
		<b>Funeral Plans £'000</b>	<b>Unlisted Investments £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
At September 2016		27,247	408	27,655
Additions		5,922	5	5,927
Plans redeemed		(1,825)	-	(1,825)
Change in fair value		2,947	-	2,947
<b>At September 2017</b>		<b>34,291</b>	<b>413</b>	<b>34,704</b>

#### Funeral Plans

Monies have been invested as individual life policies with Royal London (CIS) Limited and are recognised at fair value.

## Notes to the Financial Statements

### 12. b) Subsidiaries

The principal business activities of the Society's active subsidiaries are:-

- (i) Lincoln Corn Exchange and Markets (1991) Ltd. – Property Investment
- (ii) Lincoln Co-operative Chemists Ltd. – Retail Chemist Shops
- (iii) LCS Property Ltd. – Property Holding Company
- (iv) Lincoln Shop Equipment Ltd. – CCTV Monitoring Services
- (v) LCS Retail Ltd. – Food and Petrol Retail, Post Office Services
- (vi) Greetwell Developments Ltd – Property Investment
- (vii) Gadsby's of Southwell Ltd. – Bakery
- (viii) Lincoln Science and Innovation Park Ltd – Science Park Development (75%)
- (ix) South Lincolnshire Crematorium Ltd – Crematorium

### c) Joint Venture

LC Community Projects Ltd (50%) - Property Development

	2017 £'000	2016 £'000
Balance brought forward	170	-
Share of trading profit	-	212
Share of tax charged	-	(42)
Dividends paid	(150)	-
Total balance sheet value	<u>20</u>	<u>170</u>

### 13. Debtors

	Falling due within one year		Falling due after one year	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade debtors	10,262	9,723	-	-
VAT	1,171	1,063	-	-
Deferred tax	466	1,116	4,241	9,955
Other debtors and prepayments	2,870	2,535	-	-
Owed by joint venture	20	-	-	-
Total debtors	<u>14,789</u>	<u>14,437</u>	<u>4,241</u>	<u>9,955</u>

### 14. a) Creditors

	Falling due within one year		Falling due after one year	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade creditors	27,812	26,183	-	-
Accrued charges and deferred income	11,962	8,918	1,100	1,200
Other taxation and social security	684	645	-	-
Member benefits and grants	140	80	100	100
Corporation tax	1,294	2,687	-	-
Funeral plans	1,800	1,300	32,826	26,293
	<u>43,692</u>	<u>39,813</u>	<u>34,026</u>	<u>27,593</u>

## Notes to the Financial Statements

14. b) Dividend	Falling due within one year		Falling due after one year	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Dividend approved not yet distributed	539	643	-	-
Dividend balances on dividend cards	3,738	3,481	-	-
	<u>4,277</u>	<u>4,124</u>	<u>-</u>	<u>-</u>
<b>Total Creditors</b>	<u>47,969</u>	<u>43,937</u>	<u>34,026</u>	<u>27,593</u>

Included within creditors is an amount of £82,000 (2016: £114,000) held on behalf of Birchwood Big Local as Lincolnshire Co-operative is its Local Trusted Organisation.

### 15. Deferred tax

	2017 £'000	2016 £'000
An analysis of the amounts provided are set out below:		
Pension scheme deficit	(4,707)	(11,071)
Accelerated capital allowances	350	444
Other timing differences	(350)	(444)
<b>Deferred tax asset at the end of the year</b>	<u>(4,707)</u>	<u>(11,071)</u>

The deferred tax asset relating to capital losses on property revaluations has not been provided in the accounts as it can't be recovered against future trading surpluses. Included in 'other timing differences' are amounts relating to differing treatment of member benefits and provisions between the accounts and the current tax provision.

### 16. Share capital

	2017 £'000	2016 £'000
Balance to begin the year	7,945	8,423
Contributions	763	1,017
Interest	24	44
	<u>8,732</u>	<u>9,484</u>
Withdrawals	(1,660)	(1,539)
<b>Balance to end the year</b>	<u>7,072</u>	<u>7,945</u>

- i) The whole of the share capital comprises £7,071,668 non-equity shares of £1 attracting interest at the rate of 0.25% on balances of £20 or more.
- ii) Shares are withdrawable on periods of notice from demand to two weeks depending on the amount.
- iii) Every member who has been a member of the Society for not less than six months and holds a minimum of one share is entitled to one vote.

## Notes to the Financial Statements

### 16. Share capital (continued)

- iv) In the event of a winding up, any balance remaining, after meeting all liabilities will be distributed subject to the Society's rules.
- v) Dividends to members are paid by way of issue of dividend onto cards and by payments of dividend into members' share accounts.
- vi) The Society has in place a scheme covering total share capital, guaranteed by partners of Andrew & Co., the Society's Solicitors, and underpinned by a fixed charge on property.

### 17. Non-controlling interests

Lincoln Science and Innovation Park Limited is a 75% subsidiary. The remaining 25% is owned by The University of Lincoln.

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Balance to begin the year	69	(4)
Share of loss	(36)	(8)
Share of revaluation movement	(8)	(31)
New shares issued	-	112
<b>Balance to end the year</b>	<b>25</b>	<b>69</b>

### 18. Reconciliation of trading surplus to cash inflow from operating activities

	<b>2017</b>	<b>2016</b>
	<b>(52 weeks)</b>	<b>(52 weeks)</b>
	<b>£'000</b>	<b>£'000</b>
Operating surplus	17,451	18,707
(Surplus)/deficit on revaluations of investment property	(641)	942
Non cash pension costs	1,536	943
Additional pension contribution	(6,119)	(2,122)
Depreciation charges	5,874	5,490
(Surplus)/deficit on sale of fixed assets	(788)	397
Amortisation of goodwill	1,305	1,292
Decrease/(increase) in stocks	2,146	(18)
Increase in debtors	(954)	(6)
Increase in creditors	6,062	6,738
Payments to and on behalf of members	(3,678)	(3,184)
Tax paid	(2,878)	(3,200)
<b>Cash inflow from operating activities</b>	<b>19,316</b>	<b>25,979</b>



## Notes to the Financial Statements

### 19. Defined benefit pension scheme

The Society operates a pension scheme providing benefits based on pensionable pay. The latest full actuarial valuation was carried out at 30th September 2015 and was updated to 2nd September 2017 by a qualified independent actuary. The scheme was closed to new entrants in December 2012.

<b>Amounts recognised in the group balance sheet</b>	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Present value of funded obligations	(153,347)	(172,885)
Fair value of plan assets	125,658	111,379
<b>Deficit</b>	<b>(27,689)</b>	<b>(61,506)</b>

<b>Amounts recognised in the group revenue account</b>	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Current service cost	3,086	2,673
Gains on curtailments	(12,000)	-
Interest on obligation	3,356	4,628
Expected return on plan assets	(2,367)	(3,408)
<b>Total</b>	<b>(7,925)</b>	<b>3,893</b>

#### The expense is recognised in the following line items in the group revenue account

	<b>2017</b> <b>(52 weeks)</b> <b>£'000</b>	<b>2016</b> <b>(52 weeks)</b> <b>£'000</b>
Expenses – Ordinary Trading	3,086	2,673
Gains on curtailments	(12,000)	-
Other finance expense	989	1,220
<b>Total</b>	<b>(7,925)</b>	<b>3,893</b>

#### Amounts recognised in the group statement of comprehensive income

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Cumulative amount at beginning of year	(66,241)	(38,981)
Recognised during the year	18,223	(27,260)
Cumulative amount at end of year	<b>(48,018)</b>	<b>(66,241)</b>

#### Changes in the present value of scheme obligations

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Opening obligation	172,885	128,484
Service cost	3,086	2,673
Interest cost	3,356	4,628
Employees contributions	1,024	961
Actuarial (gains)/losses	(9,648)	39,617
Benefits paid	(5,356)	(3,478)
Gains on curtailments	(12,000)	-
<b>Closing obligation</b>	<b>153,347</b>	<b>172,885</b>

19. Defined benefit pension scheme (continued)

Changes in the fair value of plan assets

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Opening fair value of scheme assets	111,379	94,279
Expected return	2,367	3,408
Actuarial gains	8,575	12,357
Contributions by employer	7,669	3,852
Contributions by employees	1,024	961
Benefits paid	<u>(5,356)</u>	<u>(3,478)</u>
	<b>125,658</b>	<b>111,379</b>
Actual return on scheme assets	10,942	15,765

Assets in the plan as a percentage of total plan assets

	<b>2017</b>	<b>2016</b>
Bonds	23%	26%
Equities	74%	72%
Other	3%	2%

The overall expected rate of return of the scheme assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class.

The scheme holds quoted securities and these have been valued at current bid-price.

<b>Principal actuarial assumptions at the balance sheet date</b>	<b>2017</b>	<b>2016</b>
Discount rate	2.4%	2.1%
Rate of increase in salaries	2.5%	4.1%
Rate of increase in payment of pre 1997 pension	0.0%	0.0%
Rate of increase in payment of post 1997 Pensions	3.1%	3.1%
Rate of revaluation of deferred pensions	3.3%	3.1%
Inflation assumption - RPI	3.3%	3.1%

The employer expects to contribute at 14.7% of pensionable payroll. In addition it is to contribute £2,744,000 increasing by 3% per annum to the scheme towards the deficit.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date were based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Current pensioner aged 65:	<b>21.3 years (male)</b>
	<b>23.2 years (female)</b>
Future retiree upon reaching 65:	<b>22.7 years (male)</b>
	<b>24.7 years (female)</b>

### 20. Defined contribution pension scheme

Following the closure of the defined benefit pension scheme to new entrants in December 2012, the Society also operates a defined contribution scheme. The assets of this scheme are held separately from those of the Group in an independently administered fund. During the year contributions of £779,000 (2016: £613,000) were paid by the Group.

### 21. Capital commitments

Outstanding contracts for capital expenditure not provided for in the accounts amounted to £13,111,000 (2016: £4,921,000) and capital expenditure and acquisitions authorised by the Directors for which no contracts have been placed totalled £27,698,000 (2016: £29,668,000).

### 22. Commitments under operating leases

At 2nd September 2017 the Group had commitments under non-cancellable operating leases on land and buildings as follows:

	2017 £'000	2016 £'000
Within one year	510	572
In two to five years	1,711	1,583
Over five years	2,165	2,501
<b>Total commitments</b>	<b>4,386</b>	<b>4,656</b>

These Leases are subject to rent reviews.

### 23. Accounting estimates and judgements

The judgements and estimates that have a significant impact on the financial statements are set out below.

#### Property valuation

Land and buildings are revalued each year by an external Chartered Surveyor. Valuations require the use of judgements that incorporate market conditions which are subject to fluctuations.

#### Pension assumptions

The defined benefit pension scheme assets are measured at current market value, while the liabilities are estimated on assumptions as detailed in note 19.

#### Goodwill impairment

The carrying value of goodwill and other intangible assets is assessed each year against the current value of future cashflows expected.

#### Provisions

Provisions are provided in the financial statements at an estimated amount of the future outflow of economic benefit. These are updated annually.

## Notes to the Financial Statements

### 24. Financial instruments

The Group's financial instruments are as follows:

	2017	2016
	£'000	£'000
<b>Financial assets</b>		
Measured at fair value	34,291	27,247
Measured at amortised cost	<u>47,630</u>	<u>47,605</u>
<b>Financial liabilities</b>		
Measured at fair value	34,626	27,593
Measured at amortised cost	<u>29,790</u>	<u>29,515</u>

Financial assets measured at fair value relate to funeral plan investments.

Financial assets measured at amortised cost comprise cash at bank and in hand, investments (other than funeral plans), trade and VAT debtors together with amounts owed by joint ventures.

Financial liabilities measured at fair value relate to funeral plan obligations.

Financial liabilities measured at amortised cost comprise trade creditors and taxation.

## Historical Comparative Statement

	2013	2014	2015	2016	2017
	53 Weeks	52 Weeks	52 Weeks	52 Weeks	52 Weeks
<b>Membership</b>	228,292	231,435	241,536	259,771	<b>286,661</b>
<b>Revenue Account</b>	£'000	£'000	£'000	£'000	<b>£'000</b>
Gross Sales	288,057	285,892	292,541	301,176	<b>311,655</b>
Depreciation	5,375	4,898	5,019	5,490	<b>5,874</b>
Trading Surplus	17,970	18,140	19,246	20,025	<b>16,030</b>
Members' Benefits	1,266	1,179	1,315	1,150	<b>1,515</b>
Dividend	4,083	3,113	3,414	3,512	<b>4,128</b>
Transfer to reserve	11,015	11,875	8,209	11,274	<b>18,229</b>
<b>Balance Sheet</b>					
Intangible Assets	15,761	15,163	13,843	13,366	<b>12,061</b>
Total Tangible Assets	263,151	275,346	280,901	286,074	<b>296,955</b>
Total Fixed Investments	13,256	14,731	22,742	26,525	<b>32,924</b>
Net Current Assets	6,981	12,441	22,793	32,637	<b>20,899</b>
Long Term Creditors	(13,106)	(16,095)	(24,064)	(27,593)	<b>(34,026)</b>
Net Assets Before Pension	286,043	301,586	316,215	331,009	<b>328,813</b>
Pension Liability	(20,303)	(21,692)	(34,205)	(61,506)	<b>(27,689)</b>
Net Assets	265,740	279,894	282,010	269,503	<b>301,124</b>
Share Capital	9,609	8,757	8,423	7,945	<b>7,072</b>
Reserves	256,131	271,122	273,591	261,489	<b>294,027</b>
Minority Interest	-	15	(4)	69	<b>25</b>

Dividend includes amounts proposed for approval at forthcoming members meetings and members funeral benefit.

## Agenda of the Annual Members' Meeting

1. To confirm the minutes of the Annual Members' Meeting held in November 2016 (half yearly meeting held on 3rd June 2017 for Lincoln meeting only)
2. To receive the Directors' Report, Auditor's Report and Financial Statements.
3. To consider the recommendations of the Board of Directors:-
  - (a) that £4,100,000 is allocated to dividend from which dividends of £2,203,000 have already been paid; and
  - (b) for a dividend bonus of 85p for every £1 of dividend points distributed in the year to 2nd September 2017.
4. To consider the recommendation of the Board of Directors that the basic rate of issue of dividend continues at the rate of 1% of the value of qualifying purchases and that it may determine the rate of additional dividend (if any) applicable to such purchases.
5. To ratify the appointments of the Society directors appointed under Rule 60 (b).
6. To consider the resolution that KPMG LLP be re-appointed Auditors of the Society to hold office from the conclusion of the Lincoln Annual Members' Meeting until the conclusion of the next annual members' meeting at which the accounts are laid before the Society, at a remuneration to be fixed by the Directors.

Questions on the Directors' Report, Auditor's Report or the Financial Statements must be submitted in accordance with Rule 41. See standing orders inside the Annual Report.

Any member who has been a member for at least 6 months is entitled one vote.

For and on behalf of the Board of Directors: J.Powell, Secretary.

### **Tuesday 14th November**

The Weston Rooms, Hickman Street , Gainsborough

### **Wednesday 15th November**

The Stanhope Hall, Boston Road, Horncastle

### **Thursday 16th November**

Holbeach Community Centre, Fishpond Lane, Holbeach

### **Monday 20th November**

Everyday Champions Centre, Jessop Close, Brunel Business Park, Newark

### **Tuesday 21st November**

Grimsby Town Hall, Town Hall Square, Grimsby

### **Wednesday 22nd November**

The Epic Centre, Lincolnshire Showground, Lincoln\*

**All meetings begin at 7.00pm  
with an exhibition from 6.30pm.**



## Standing Orders

1. The order of business at every members' meeting of the Society shall be in accordance with the printed agenda of business issued with the notice of the meeting.
  2. Except in the case of a special members' meeting called on the requisition of members, the agenda of every meeting shall be made out in the form and order approved by the directors and shall include only such business as is decided on by the directors.
  3. All notices of motion for consideration at any members' meeting must first be submitted to the Secretary in writing, signed by the member giving the notice, not later than twenty one days prior to the date of the first district meeting. Any amendments to any proposal on the agenda at the members' meeting must be received by the Society at least seven clear days prior to the first district meeting.
  4. No member shall be allowed to speak more than once on any motion except the mover of resolutions, motions and amendments, who shall be allowed a reply and no member shall speak after the reply, immediately after which the question shall be put from the chair.
  5. No member shall be allowed to speak for more than five minutes, except the mover, who may speak for ten minutes and take five minutes in reply.
  6. The same agenda shall be put before the members at all the district and annual members' meetings. Where the agenda contains a motion and an amendment(s), voting shall take place as if both the motion and amendment(s) were substantive motions and on consolidation of the votes at all the meetings if both motion and an amendment or amendments are carried, the motion or amendments which has the greater number of votes recorded in its favour shall be declared carried. If the votes in favour are equal, the motion or amendment with the largest majority shall be declared carried.
  7. Any member who has not spoken to the question before the meeting may at any time during the course of the debate move 'That the question now be put'. Such motion must be made without any accompanying speech and must be put without amendment or debate, and should such motion be adopted the chair shall, subject to the right of reply of the mover of the question under discussion, at once put the question.
  8. Any member choosing to speak on any question must stand and address himself to the chair. When two or more members stand at the same time, the chair shall indicate the member who is to speak first.
  9. Whenever the chair rises to speak no member shall continue standing, nor shall any member rise until the chair resumes his seat.
  10. A member shall confine his speech strictly to the motion under discussion, or to the amendment or to a question of order.
  11. The chair may call attention to continued irrelevance, tedious repetition, or any breach of order on the part of a member and may direct such member to discontinue his speech.
  12. Any one or more of these standing orders may be suspended at any meeting by the vote of a two-thirds majority of members present at the meeting. The decision of the chair on any point of order shall be final.
- RULE 41** Members wishing to ask a question at any Members' Meeting of the Society must submit the question in writing to the Secretary at least 48 hours before the relevant meeting.
- RULE 52** How Votes Shall be Taken – the minimum number of members required to demand a ballot vote at meetings is 40 or at least 50 percent of members present and entitled to vote if less than 80 members are in attendance.





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