



# Annual Report and Accounts

For the year to **2nd September 2023**

Society Registered No. 141R



# 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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## Quick look reference





# Your Board of Directors

**James Scott**

(Employee Director)  
Search & Membership  
Committee Member



**Stephen Hughes**

Chair of the Search &  
Membership Committee  
Audit & Risk  
Committee Member



**Ian Haldenby**

(Appointed Director)  
Chair of Audit &  
Risk Committee



**David Cowell**

Chair



**Julia Romney**



**Nicola Berry**

President



**Richard Wills**

Audit & Risk  
Committee  
Member



**Jane Moate**

Chair of the  
Remuneration Committee  
Search & Membership  
Committee Member



**Mark Fields**



**Claudia Nel**

Remuneration  
Committee Member  
Search & Membership  
Committee Member

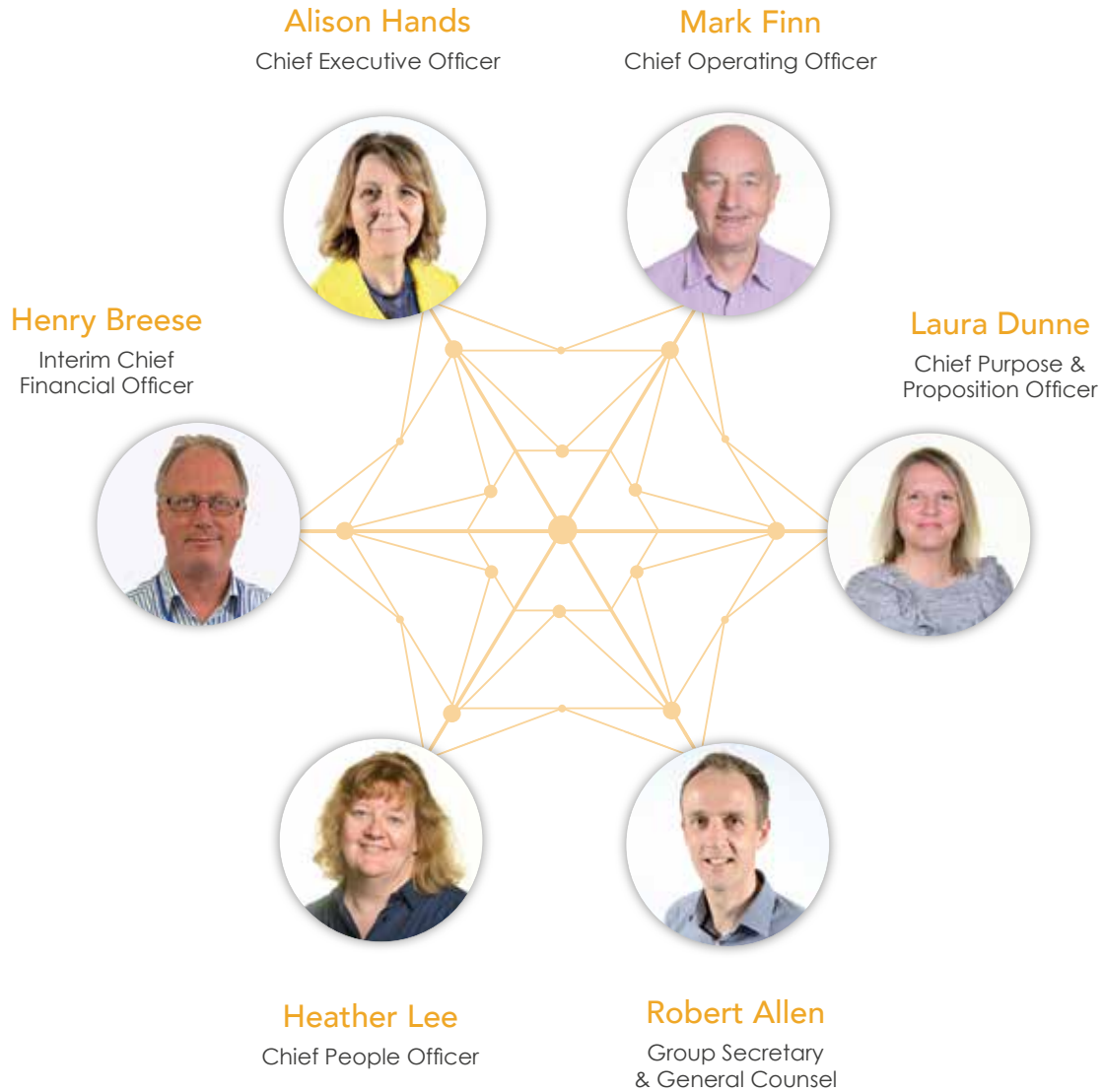


**Jackie Munn**

Remuneration  
Committee Member  
Audit & Risk  
Committee Member



# Meet the Executive Leadership Team



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## Our auditors

**mazars**

Mazars LLP, Chartered Accountants,  
First Floor, 2 Chamberlain Square,  
Birmingham, B3 3AX



# Introduction from the Chair

I'm delighted to introduce this year's annual report after an eventful year that has seen significant but positive change across our Society. The Board has overseen two key appointments in the Chief Executive Officer, Alison Hands, and Group Secretary and General Counsel, Rob Allen. I am pleased that Alison and Rob have settled quickly into their roles, and are starting to deliver change that will ensure our Society is sustainable in the long term, and continues to support members, customers and the wider community.

One of the Board's principal duties is to provide oversight of, and direction to the Executive Leadership Team, ensuring that the Society's trading and other activities support delivery of its purpose. This year has seen continued growth across the Society with new food stores opening, the installation of new capacity within our funeral business, and further strategic development of our property portfolio, including investment in the Waterside Shopping Centre. The Board must also ensure that the Society's interests are sustainable for the long-term, and we have been pleased to see significant investments in technology.

Notwithstanding these positive developments, there have been continued challenges to our Society from the external environment, including pressures on the cost of living and supply chain. Our trading surplus for the year ending 2nd September 2023 has therefore seen a reduction and as a result, we have been required to make the difficult decision to reduce the level of dividend bonus issued to members.

It is important to me and my fellow Directors that we continue to maintain high standards of corporate governance and ensure the Board is both accountable and transparent in its decision making. This year, we commissioned an externally facilitated Board effectiveness review to look closely at our performance, composition and representation. I am pleased that this review has generated a suite of recommendations that will further enhance our governance and overall development as a Board.

This year, I was also pleased to see the election of a new Director, Mark Fields, and the re-election of two existing Directors, Nicola Berry and Julia Romney. These appointments ensure that we continue to bring new perspectives into the boardroom, whilst maintaining a degree of continuity that preserves valuable knowledge and experience gained over many years.

I would also like to pay tribute to one of our former Directors, Margaret Tranter, who sadly passed away earlier this year. Margaret was a great co-operator, totally committed to Lincolnshire Co-op. She served two terms as a Director, was a member of our Beewise Credit Union Committee and was extremely proud to serve as our President during 2008/2009. Margaret was well known for her wit and humour, loyalty and friendship and will be missed by all our colleagues and those across the wider movement.

Finally, on behalf of the Board, I would like to thank each and every one of our colleagues for continuing to make Lincolnshire Co-op a truly special organisation, and of course our members whose trust and support each year enable us to make life better in our local communities.

*David Cowell*

**David Cowell**  
**Chair of the Board of Directors**



Above: Margaret Tranter  
Left: New store - Warsop.



# CEO's overview and strategic report

I am truly honoured to be writing my first CEO report to the members after joining the Society in April, halfway through this financial year. It has been important for me to spend my initial months understanding more about our business areas, colleagues, communities, partners, and members. Everybody has been generous with their time, helping me understand our challenges as well as the opportunities we have to further deliver our purpose to bring together ideas, energy, and resources to make life better in communities.

I have introduced a new initiative called Talk to Alison, where I hold feedback sessions with colleagues across our different business and trading areas. I have also been extremely impressed with the purpose work that has been done to date and have been excited to see how we are delivering that across our communities, and want to ensure we can continue to utilise this to drive our future plans.

## Trading performance

Our trading performance has been relatively strong with growth of 4.1%, in challenging market conditions with key components of food growth at 3%, pharmacy at 10.8%, funeral and floristry at 6% and travel level on the year. However, the key challenges in volume performance have come in food, as inflation has impacted on food purchasing with increased cost prices. This is something we have spent much time in the second half of the year focusing on through promotional offers and new ranging, which has delivered a 1% improvement between the first and second half of the year.

However, like other businesses and organisations across the country, we have seen significant inflation in costs.

Personnel costs have increased by 10.1% on the previous year, with the core increases coming through the National Living Wage, along with introducing key risk and governance roles into the Society. With increasing threats around cyber security and broader business risks in an uncertain climate, these roles are essential to mitigating significant and potentially costly issues.

Other increased costs have included energy – costs up 67% in the year - and food distribution, with the price we pay per case of products up by 8%, equivalent to an extra £1m. Broader challenges for our property team have included reduced incomes, specifically within our commercial portfolio.

We also had to make the difficult decision this year to reduce hours in some of our post offices, due to the high cost levels of the operation. This is now a fully funded service by Lincolnshire Co-op, which costs the Society £0.9m per year. We know this is a key service to our local communities and we will continue to review how we can deliver it.

We have invested £8.9m into our food business this year with four new stores in Barrowby, Warsop, Bilsthorpe and Lincoln's Skellingthorpe Road, which also included commercial rental units and two houses. The stores have all made a tremendous start and colleagues have developed strong community relationships.



Top: New store - Bilsthorpe.  
Bottom left: New store - Barrowby.  
Bottom right: New store - Skellingthorpe Road, Lincoln.



Our Love Local food sales have been challenged this year, being 5.5% down on last year. We have unfortunately seen some of our local suppliers impacted by the tough economic surroundings. But we continue to review our offer to ensure we can support local food.

Our Gadsby's business has seen growth, if only by inflation, of 8.8%. But we continue to seek efficiencies, and capital investments have been made to reduce manual labour in packing and repetitive tasks for colleagues, and to support volume growth.

In the last year, our pharmacies have introduced an in-branch testing service to identify those over 40 with undiagnosed high blood pressure. We have also collaborated with local surgeries to provide blood pressure clinic days to ensure as many people as possible are tested. This can ensure customers can get the treatment they need and reduce their risk of more serious cardiac events.

We have continued to invest in our pharmacy business, and took over a new pharmacy in Winterton. We also have invested £600k in automation within dispensing to drive efficiency and enable the delivery of more services to our patients and enable our purpose through caring for our communities' health and wellbeing.

Our property portfolio has seen some exciting developments which help grow the local economy. We have invested in expanding Mosaic, our development hub for digital businesses in Lincoln, and opened the new Gravity building within the Lincoln Science and Innovation Park. And to complement the Cornhill Quarter development, we took the opportunity to work with a new partner, Wykeland Group, in purchasing the Waterside Shopping Centre, with the aim of improving shopping facilities in Lincoln. We have, as in previous years, continued to review our portfolio and have divested where properties or trading sites are either not profitable or where we believe they do not fit with our strategic direction.

This has been a tough year from a trading surplus perspective, with a continuing declining position. Our overall trading surplus has reduced by 27% on last year, the equivalent of £4.5m. Therefore we need, as highlighted at the Half Year meeting and Half Year Members' Report, to reduce the dividend bonus paid to members. We will pay a dividend bonus of 70% - 70p per £1 of dividend collected during the year - and we will need to continue to review this given the challenges that lie ahead. The colleague profit share bonus will equally be reduced to 20% and it is key we consider our overall colleague offer for the future, as we continue to see challenging economic conditions.

### Forward focus

Our focus has to remain on the long-term delivery of our purpose to make life better in our communities, which can only be done through improving our trading surpluses, which we can then reinvest to enable a more sustainable society and ensure the delivery of our purpose. To that end, improving our trading performance, specifically on volumes, along with improving our cost position, must be our priority. We also need to manage the continued likely cost inflation and balance our investment priorities based on a clear strategic plan.

I agreed with the Board of Directors the introduction of a smaller strategically focused Executive Leadership Team, with an emphasis on purpose, people, operational trading, and financial metrics, to ensure we developed a strategy that delivers our purpose, with clear affordability and clear success measures. I believe this will enable the members to hold me and my team to account on our shared objective to deliver for our communities.

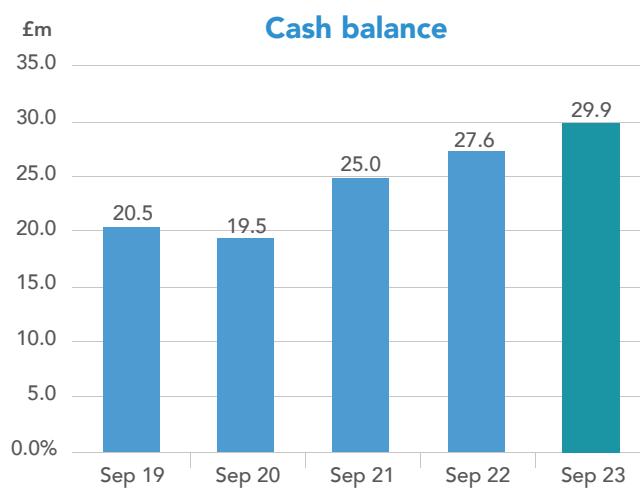
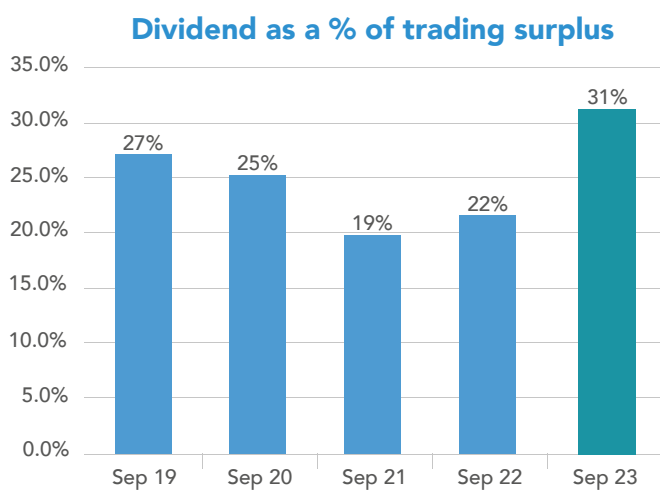
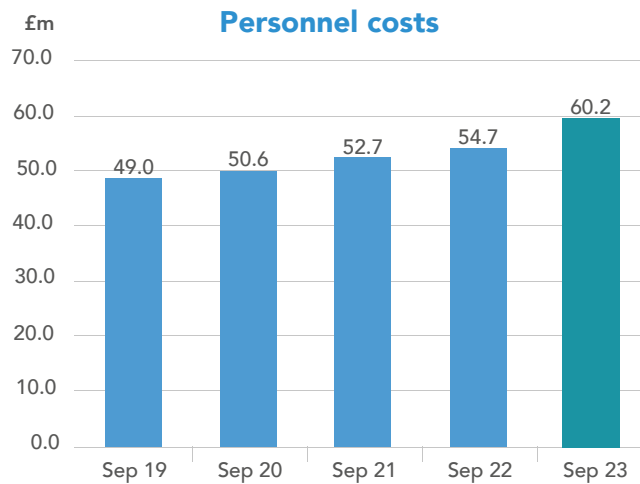
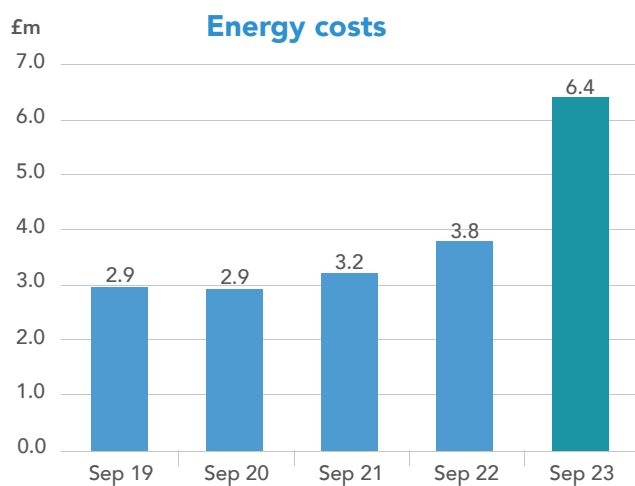
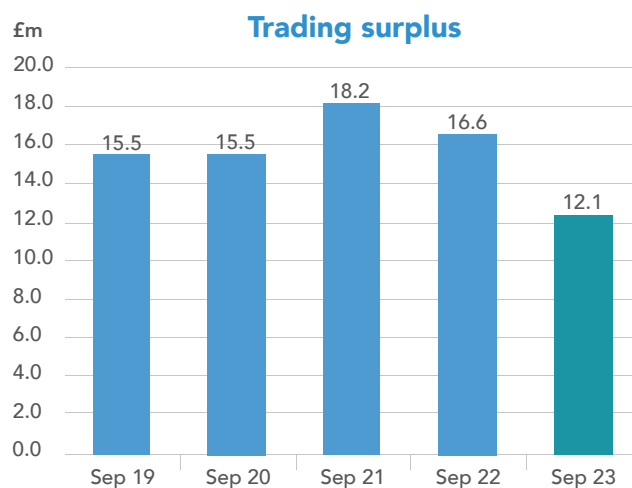
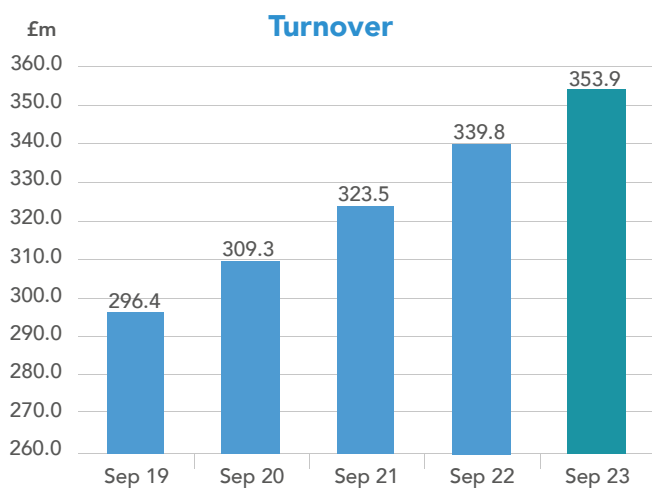
*Alison Hands*

**Alison Hands**  
**Chief Executive Officer**

Bottom left: Waterside Centre, Lincoln.  
Bottom right: Blood pressure checks in pharmacy.









## View from the President

My presidency started at an exciting time for Lincolnshire Co-op as during the summer months, we celebrated two big milestones.

Firstly, we marked the 25th birthday of our dividend card. I've been a member for more than 25 years, having worked within our food business and then returning as an elected Director, and I remember the launch clearly! It was such an exciting time - as both a colleague working on the project and as a member using the card for the first time.

When our membership events truck came to Lincoln Road Food Store in Sleaford, I went along and had a lovely time talking to members who shared fond memories of membership over the years, all the way back to the days of share books.

We also marked 10 years of our Community Champions scheme, which sees members raising funds for local groups just by shopping using their dividend card. I'm always interested to see who I am supporting when I do my shopping or check my dividend balance on our website, and I know lots of our members and colleagues feel the same - it's a great way to build connections in communities.

It's been an honour to serve the society so far in my year as President and I am looking forward to more opportunities to connect with our members, customers and colleagues in 2024.

*Nicola Berry*

**Nicola Berry**  
**President**



We had  
**42,839**  
**engagements**  
**with members**

at events, on the member section of our website, and at elections.

# Growing a community of members



## Silver anniversary celebrations

This year marked the 25th birthday of the dividend card which was launched in 1998.

Lincolnshire Co-op members previously collected dividend through sticking stamps into booklets.

To celebrate, we rewarded 31,311 members who have had their dividend card for 25 years with £5 dividend and put them all into a prize draw to win one of four prizes of £250 in dividend.



We have

**292,108**  
members



Down from  
**296,077**  
in 21/22

**22,247**  
**NEW** members  
joined us this year

Up from  
**18,724** in 21/22



**68%** of our members  
shopped with us this year



Up from **66%**  
in 21/22

Our members redeemed

**£4.6m**  
dividend

using it to pay for  
everything from  
food and petrol  
to holidays and  
bouquets.



Up from **£4.3** in  
21/22

Our app allows you  
to have your dividend  
card on your phone.

**26,590**  
members

used the app this year.



Up from  
**17,778**  
in 21/22





# Working in our communities

## 10 years of Community Champions

Our Community Champions scheme enables us to support our local communities by offering funding to good causes.



This year, we marked the scheme's 10-year anniversary, promoting the scheme at events and showcasing the groups we have supported on our website.



Since 2013, we've supported

**2,408** groups & raised

**£4.5m** through

Community Champions.

With your help, this year we raised

**£619,198** for  
**415 groups**

through our Community Champions scheme  
– **thank you all for your support.**

Organisations benefitting included hospices, suicide prevention charities and lots of local good causes.



Down from  
**£676,037**  
in 21/22



We support  
**208 school breakfast clubs** with vital ongoing funding.



Up from  
**193** in 21/22

**16** charities and groups benefit from **hygiene bank collection points** introduced this year in our pharmacies.



Our mobile health pod popped up across our area, offering widespread access to free health checks –

**475 people had a health MOT** with our specialists.



Up from **198** in 21/22

Community flu clinics organised across our area administered

**2,476 vaccines.**



Up from **1,655** vaccines in 21/22



There are **80** **Wellbeing Walks** running across our area – supported by **254** volunteer walk leaders



Up from **72** walks run, supported by **218** leaders in 21/22

Our food advent calendar campaign saw the equivalent of

**26,589 meals donated** to local food banks.



Up from **13,317** in 21/22

Holidaymakers gave

**£7,422** to our **Travel's Toy Bank** appeal when booking their holiday. Alongside toy donations, it meant we shared **1,355** Christmas gifts with local charities

working to support disadvantaged families.



Up from **247** gifts in 21/22

We support **13 Community Cuppa schemes**

across our area. The initiative aims to help bring people together in local communities, helping to tackle social isolation and build connections.

**208** bags...  
**2** skips...  
**15** wheelbarrows...

...of rubbish were collected during our **13** clean up events







# Our people



We also run talent development and leadership schemes to develop our people –

**64 colleagues**

took part in these this year.

**89 colleagues**

are studying for an apprenticeship and of those,

**8 people** are being supported to complete degree apprenticeships.



Up from 87 in 21/22

Colleagues working for Lincolnshire Co-op were given **profit share** bonuses totalling

**95%**

of a week's wage.

All teams benefited from at least a

**6%**

pay increase too.

## Recruitment and employability

We promote what we offer as an employer through careers fairs and workshops, aiming to connect with young people and those looking for opportunities.

This year, we have taken part in a virtual work experience initiative called Speakers for Schools, showcasing careers in pharmacy, travel and apprenticeships across the business.

We work in partnership with Jobs 22 to deliver the government's Restart scheme, targeted at over 18s on Universal Credit who have been out of work for at least nine months. We provide the work experience element with placements in our food stores. 40 people completed the course this year and 11 came to work for us.



We funded counselling for

**160 colleagues**

this year as part of our wellbeing programme.



Our employer-supported volunteering programme connects colleagues with their local community.

**455 volunteers**  
**gave 2,475 hours**  
**to 71 projects.**



Up from 253 volunteers giving 1,319 hours in 21/22



## Colleague Awards 2023

We recognise our colleagues each year for providing exceptional services to the community. Through our Colleague Awards scheme, we celebrate teams across our business, selecting bronze, silver, and gold Branches of the Year, alongside awarding individuals and teams under three categories; trustworthy, inspiring, and helpful.



## Branches of the Year



## Colleagues of the Year

### Helpful Colleagues of the Year

*Carlton Centre Travel, Lincoln:*  
Stacey Bogg, Claire Smith, Amy Donnachie

Claire Moore - Checking Technician at Market Street Pharmacy in Gainsborough

### Inspiring Colleagues of the Year

*Funeral Plan Project Team:*  
Michelle Tointon, Lynda Green, Sarah Lambert, Vicki Swain, Lynda Bishop, Julie Haycraft, Natasha Gidley, Jess Wilson, Michelle Gage, Maxine Morton, Jackie Smith, Julie Fountaine, Richard Kent, Lisa Taylor, Paul Halfpenny, Emma Carrott.

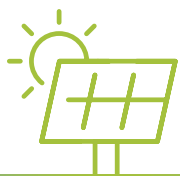
*Memorial Masonry Project Team:*  
Michelle Tointon, Richard Kent, Alison Welch, Sue Roe, Rachel Warrington, Lynda Green

### Trustworthy Colleagues of the Year

Springfield Road Food Store, Grantham:  
Kieran Hitch-Mountain, Vanessa Stannage, Kelly Smith, Pam Haworth, Denise Jeff, Daniel Pearce, Zoe Towing, Chloe Wilson, Alex Atkin, Anya Faulkner, Angela Matthews

Anita Gowers – Dispensing Technician at Barrowby Gate Pharmacy in Grantham

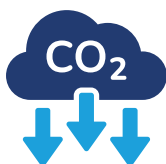




# Environment and sustainability

Our scope 1 and 2 CO<sub>2</sub> emissions were

**5,608 tonnes**



Our energy consumption was

**22,787 kWh**

We now have over

**40**



hybrid and electric vehicles in our fleet

**660 tonnes**



of waste produced

We are working with

**Lincolnshire Wildlife Trust**

to improve green spaces around our stores



CO<sub>2</sub> refrigeration in



**22 stores**



Sites with EV charge points

Recycled over

**4.5 tonnes**



of batteries through in-store recycling

Solar panels planned at an additional

**10 sites**



**100%**

of Co-op own brand packaging is now easy to recycle



## Carbon emissions

Total Energy use	2023 kWh '000s	2022 kWh '000s
Electricity	19,382	19,458
Gas	3,405	3,568

Emissions	2023 Tonnes CO <sub>2</sub> e	2022 Tonnes CO <sub>2</sub> e
<b>Scope 1</b>		
Gas	624	642
Transport	581	592
Refrigerant gas	1,686	1,032
<b>Scope 2</b>		
Purchased electricity	4,013	3,763
Less renewables	(1,296)	(3,736)
Electricity from non-renewables	2,717	27
<b>Scope 3</b>		
Employee business travel	157	188
<b>Total emissions</b>		
Total emissions from non-renewables	5,765	2,481
<b>Intensity ratio</b> (Tonnes CO <sub>2</sub> e per £1m turnover)	16.3	7.3

CO<sub>2</sub>e (carbon dioxide equivalent) is CO<sub>2</sub> equivalent for various greenhouse gases

Due to increased costs, in January we decided to withdraw from the REGO programme (renewable energy guarantees of origin), meaning our electricity is no longer guaranteed from a renewable source. As a result, we have seen a significant increase in our scope 2 emissions. However, savings from this will go towards energy saving opportunities such as solar panels.

Last year we announced our goal to reduce our current, directly controlled (scope 1) emissions by 75% by 2030. We have continued to remove gas heating systems from a number of sites and now have replaced traditional refrigerants with CO2 systems in 22 of our stores. We have continued to replace our fleet with low emissions vehicles and have now added over 40 hybrid and electric vehicles to our fleet. This includes a new electric van for our membership team.



## Environmental impact

### Waste

This year we produced 660 tonnes of waste. Whilst this figure is similar to last year, we now have greater visibility on the volumes produced by each waste stream and know that the majority of our waste is diverted from landfill. This year we plan to work on improving our waste management, ensuring that as much as possible is reused or recycled as this is the best solution for the environment, whilst also continuing to identify opportunities to reduce the volume of waste we produce.

Our active 'reduce to clear' policy in food stores ensures the waste at the end of the day is minimised by discounting it for the benefit of the local community. Our buying group has now also removed the best before date on most of our fresh produce lines as research shows that best before dates on fresh produce can often cause people to throw away good fruit and veg. This has been done to encourage customers to use their judgement to assess product quality when determining when to use or dispose of fruit and veg at home with hopes this will cut down on food waste.

We continue to offer recycling opportunities in-store for our members including soft plastics recycling and clothing banks. Over 4.5 tonnes of batteries were collected in our battery points this year, which are taken away and recycled. We also continue to offer extra dividend to members who bring a reusable cup when they use our Costa Express service and now have taps for water refills in over 25 stores.

### Sourcing

Our funeral business continues to offer a range of eco-coffins and eco-memorials to ensure everyone can make a greener choice. In September 2022, we began sourcing our open weave coffins from a UK, family run company who grow and weave the willow coffins on-site. We have done this to reduce the emissions and environmental impact associated with previously imported willow.

100% of packaging of Co-op own brand products is now easy to recycle, meaning that it is much easier for local authorities to recycle packaging collected from our members' homes.

### Green spaces

We have been working with Lincolnshire Wildlife Trust to identify how we can improve the space around our stores to make them more biodiversity friendly. With their help, we plan to trial this at a number of sites this year and intend to create a blueprint for new sites going forward.

## Next steps

Our plan is to continue working towards our goal of reducing our scope 1 emissions by 75% by 2030. We will do this through continued removal of gas boilers, installation of CO2 refrigeration, and replacing current vehicles with low emission vehicles.

We will also continue to work towards SBTi accreditation to ensure our thinking and calculations are robust.

Our focus now is on building our sustainability strategy to identify how we can reduce our impact on the environment and the necessary steps we need to take to achieve this.





# Corporate governance report

## Governance highlights



### Director elections

We welcomed a new member to the Society's Board, and were pleased to see two of our existing Directors re-elected. This year also saw the highest number of votes we've seen cast in a Director election to date, and a digital-first approach to voting.



### Board Effectiveness Review

The Board commissioned an externally facilitated Board Effectiveness Review to assess its performance, composition and representation. A diverse Board supported by strong governance is key to the Society's growth and success.



### Members' meetings

In December and June, we held our annual and half year members' meeting respectively at the Lincolnshire Showground. The meetings reported on the Society's activity at various points throughout the year, and showcased products and services from its own trading areas and from businesses in the community.



### CEO and Group Secretary & General Counsel onboarding

This year, we welcomed Alison Hands and Rob Allen to the Society as our new Chief Executive Officer and Group Secretary & General Counsel respectively. Alison and Rob have been busy learning about the Society, its stakeholders, opportunities and challenges.



### Creation of a new Executive Leadership Team

We've made changes to the structure and composition of our executive team to better align roles and responsibilities to the Society's strategy. These changes will ensure we continue to be successful and sustainable in the long term.



### Internal Audit Programme

A programme of internal audit reviews was commissioned this year. The emerging recommendations will ensure that the Society's internal control framework is robust, modern and supports strong financial, audit and risk management practices.

## Introduction from the Group Secretary & General Counsel

*"It has been a privilege to be appointed as the Society's Group Secretary & General Counsel this year. I am grateful for the warm welcome I've received from colleagues across the organisation, and the opportunities I've been given to fully understand the Society and its purpose. Good governance is vital to ensure that the Society is meeting the needs and expectations of its stakeholders, and remains sustainable in the long term. The financial year ending 2nd September 2023 has seen the Society take positive strides forward to modernise its documents, processes and controls, and ensure that the Board continues to provide effective oversight of trading and other key activities."*



**Robert Allen**

## How is the Society governed?

The Society conducts its affairs and structures its approach to corporate governance having regard to the following key instruments:

**Co-operative and Community Benefit Societies Act 2014 (CCBSA 2014):** The Society is registered with the Financial Conduct Authority as a co-operative under the CCBSA 2014. The CCBSA sets out basic duties and obligations that help ensure the Society conducts its affairs in accordance with Co-operative values, and profits are applied to further its objects.

**Co-operatives Corporate Governance Code:** The Society is not strictly subject to the provisions of the UK Corporate Governance Code (the UK Code). However, Co-operatives UK (which is the representative body for co-operatives in the UK) has issued a code for Co-operatives (the Co-operatives Code). The Code ensures high standards of corporate governance are applied across:

- Member voice, participation and engagement.
- Co-operative leadership and purpose.
- Roles and responsibilities.
- Board composition, succession and evaluation.
- Risk, financial management and internal controls.
- Remuneration of the board and executive leadership.

The Society aims to comply with the letter and spirit of the Co-operatives Code in conducting its affairs, and will explain in this report where any deviations occur.

**Companies Act 2006 (CA 2006):** The Society is subject to the core provisions of the CA 2006 which set out the obligations and requirements relating to corporate administration, accounting, reporting, decision making and the general duties of its Board of Directors.

Our Annual Report sets out the steps we have taken to ensure compliance with these important legal requirements, and to achieve corporate governance best practice.

## Director duties

Put simply, our Board provides informed oversight of the Society's activities and ensures the Executive Leadership Team deliver the agreed strategy in accordance with co-operative values, and in the best interests of the Society's members.

Our Directors must have regard to Section 172 (1) of the Companies Act 2006. Consequently, Directors must act in a way that they consider, in good faith, would be most likely to promote the success of the Society for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decisions in the long-term.
- The interests of the Society's employees.
- The need to foster the Society's business relationships with suppliers, customers and others.
- The impact of the Society's operations on the community and environment.
- The desirability of the Society maintaining a reputation for high standards of business conduct.
- The need to act fairly between members of the Society.

## Board effectiveness

This year, the Board commissioned an externally facilitated Board Effectiveness Review (BER). BERs are an important part of maintaining high standards of corporate governance and ensuring the Board is operating effectively, with a composition and diversity that is representative of the organisation's membership. The Co-operatives Code recommends an externally facilitated BER every three years, and the Society retained governance specialists Indigo to assist with this year's review. Indigo reviewed the Society's core governance documentation and conducted interviews with members of both the Board and Executive Leadership Team. The areas of specific focus included the following:

- Director roles and responsibilities
- Board understanding of the society and its purpose
- Member and stakeholder engagement
- Board structure and tenure
- Committee structures and schemes of delegation
- Board skills, competency and training requirements
- Succession planning
- Board operations

The report will produce recommendations and a suggested approach to implementation that the Board will be taking forward in 2024.

The Board has also received detailed training sessions during the course of the year on important topics such as health, safety and environmental responsibilities, remuneration, and the regulatory framework applicable to the Society's pharmacy business.

## Board and committee membership and attendance

The Directors attend Board and committee meetings throughout the year, and have the opportunity to attend meetings in person or virtually. Two full day meetings involving the Board and the executive team are also held to review the Society's strategy. The table below sets out attendance for all meetings taking place during the 12 month period ending 2nd September 2023.

	Board	Audit and Risk Committee	Remuneration Committee	Search and Membership Committee
Nicola Berry	12/12			1/1
David Cowell	12/12		5/6	
Mark Fields*	1/2			
Ian Haldenby	9/12	4/4		
Stephen Hughes	10/12	4/4		4/5
Jane Moate	10/12		6/6	4/5
Jackie Munn	12/12	3/4	5/5	
Claudia Nel	10/12		6/6	3/5
Julia Romney	11/12			2/2
James Scott	12/12			5/5
Richard Wills	11/12	4/4		

\*Elected June 2023

## External directorships and other relevant appointments

One of the important elements which is taken into account when assessing potential new Directors is whether that individual is able to commit sufficient time to the role with the Society. Prior to appointment Members standing for election are asked to provide information about their other significant commitments with an indication of the time involved. The Society's Secretary maintains a register of director's interests to ensure that 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.

Director	Appointment(s)
David Cowell	Director PCA Partnership Ltd NED and Trustee Bishops Council of Diocesan Trustees - (CofE Lincolnshire) Trustee Worshipful Company of Marketors Charitable Trust Co-operative Development Agency board member
Nicola Berry	-
Ian Haldenby	Group Financial Controller PIB Group Independent member Lincolnshire County Council Audit Committee MD of limited company Haldo616 Ltd
Jane Moate	-
Stephen Hughes	National Members Council Co-operative Development Agency board member Retail Consumer Council
Mark Fields*	Owner/Director of MEDEFIX LTD
Jackie Munn	-
Claudia Nel	Member of William Alvey CofE Trust Self-employed solicitor
Julia Romney	-
James Scott	Parish Councillor - Burton-by-Lincoln Serving Magistrate (Bench Chair) covering Lincolnshire & Midlands
Richard Wills	Director (Chair) of Methodist International Centre Limited (a hospitality business wholly owned by the Methodist Church) Methodist Church trusteeships: <ul style="list-style-type: none"> <li>Reepham Church Council</li> <li>Lincoln Circuit</li> </ul> Trustee of the J R Halkes Trust

The time commitment of the Society's serving Directors is monitored carefully by the Society's Group Secretary & General Counsel. Any additional external roles that a Director wishes to take are subject to prior approval of the Board.



## Risk management

The Society maintains a Risk Management Framework (RMF). The RMF was reviewed and approved by the Board in July this year with no substantive changes deemed necessary from the version previously approved in 2022. The Society's Board is responsible for approving risk appetite identifying and defining the types and levels of risk it is willing to accept in the pursuit of its strategic goals. This provides the business with a framework within which sound decision making and planning can be undertaken. Risk activity is principally monitored through the Audit & Risk Committee.

The Principal Risks are reviewed by the Executive Leadership Team, the Audit & Risk Committee and the Board of Directors on a regular basis.

Principal risk	Description
<b>Business strategy</b>	There is a risk that our strategy does not address our purpose leading to a moribund organisation which could impact future viability.
<b>Change management</b>	There is a risk that we cannot deliver the volume at the pace required, we do not have the key skills to manage the volume, changes to market conditions outpace our ability to react strategically, and planned capital expenditure and source of finance is negatively impacted by current world events.
<b>Competitor and markets</b>	There is a risk that we fail to understand our competitors and markets and do not react at sufficient pace to global headwinds, such as rising costs, inflation, supply chain issues and interest rate rises, which leads to a loss in market share and margin with decreased profitability and therefore reduced cash to meet strategic plans.
<b>Customer</b>	There is a risk that we fail to understand or react in a timely manner to customer demands and needs given current cost challenges they face, leading to a loss in market share and profitability.
<b>Cyber and technology</b>	A failure to invest in technology may lead to the loss of key systems, systems that do not meet customer needs, or weaknesses in infrastructure that may be exploited and facilitate theft of data, cyber-attack or ransomware, significantly disrupting operations.
<b>Financial sustainability</b>	There is a risk that given the many global headwinds, that these may significantly reduce our profitability and therefore the cashflow required to fund our strategic plan.
<b>Health and safety</b>	Failure to comply with H&S legislation may result in death or injury to customers or colleagues.
<b>People</b>	Colleagues across the organisation are integral to the success of the Society. Failure to attract, develop, motivate and retain colleagues may mean that we are unable to deliver on our purpose or provide the quality services expected.
<b>Regulatory and legal</b>	The Society operates in a highly regulated environment, for example UKGDPR, CMA, HMRC, Health & Safety, General Pharmaceutical Council, FCA for pre-paid funerals, with new regulations appearing on the horizon regularly. Failure to identify, consider, adopt and comply, (or choose to exit because of them), with such regulations could lead to regulatory censure including significant fines or poor business strategic decisions.
<b>Reputation</b>	There is a risk that we act in a way, or fail to stop acting in a way, that damages our reputation with the public, colleagues or key partners leading to a loss in confidence impacting our market share and potential to do business or invest for the future.
<b>Suppliers</b>	The failure of key suppliers, or their ability to significantly alter terms of supply, could lead to an inability to provide products or services to meet customers needs or to run a profitable business area.

During the year, we welcomed a new Head of Risk & Assurance to the Society, who will report to both the Group Secretary & General Counsel and the Chair of the Audit & Risk Committee, assuming day to day responsibility for ensuring the Society's management of risk is in full accordance with the approved appetite and tolerances.

The Society has also established a Risk & Assurance Group (RAG). The RAG is chaired by the Head of Risk & Assurance and has cross-functional representation from across the Society's key areas, and is tasked with providing a Society wide forum to deliver risk management effectively through the business. The RAG reports directly into both the Executive Leadership Team and the Audit & Risk Committee. We have summarised key highlights for certain of the Society's core risk areas over the course of this year.



## Health and safety

The health, safety, welfare, and wellbeing of everyone that interacts with the Society remains of the highest importance, and we are always looking for ways to improve our overall health and safety performance. Over the last year, we have seen colleague accidents fall by c.8%.

The Society's Health and Safety team have been exploring opportunities to deploy new software and technology in order to make systems and ways of working more effective and efficient. Moving into the next financial year, technology remains a key focus, particularly surrounding the collation and reporting of health and safety data, with a view to improving overall risk monitoring. We recognise that better information leads to better decision making, as well as assurance that the Society is operating safely and responsibly.

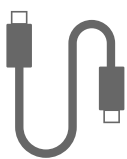
As part of wider changes within the Society, the Health and Safety function now reports into the Group Secretary & General Counsel, offering a stronger degree of Board oversight.



## Data privacy

The Society appointed a Data Protection Officer (DPO) in September 2022 to ensure that personal data collected from colleagues, members, customers and other individuals is handled lawfully and responsibly. The DPO has been establishing key processes and policies throughout the year that ensure the Society is meeting its obligations under the UK GDPR. A new online training module is mandatory for all colleagues to ensure data privacy is understood and embedded across the workforce. A network of 'Data Champions' also ensures oversight of privacy compliance across all of the Society's principal trading areas.

The Society's internal auditors undertook an extensive review of the existing data privacy framework and recognised strong practices and overall governance. The recommendations emerging from the review will be taken forward into the next financial year by the DPO. The Society recognises that the correct and lawful treatment of personal data will maintain trust and confidence in the organisation and will provide for successful delivery of its purpose and trading activities.



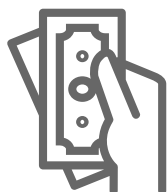
## IT and cyber security

We welcomed the appointment of a dedicated Cyber Security Manager to help ensure the Society is protected against cyber-related risks, threats, and vulnerabilities. An externally facilitated cyber-attack scenario was rehearsed in August 2023 to test the Society's systems and general business continuity planning. The lessons learned from this exercise will lead to further improvements in existing systems and processes. Conducting cyber-related due diligence on vendors is now common practice to reduce risk in the supply chain. Regular quarterly cyber risk reports are now featured within the Society's Risk & Assurance Group and the Audit & Risk Committee.



## Whistleblowing

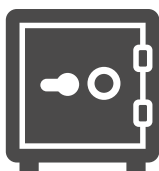
How we behave matters. The Board of Directors recognises that 'doing the right thing' requires a strong speaking-up culture, and will support colleagues who raise genuine concerns, even if they turn out to be mistaken. The Board's Whistleblowing Champion liaises closely with the Group Secretary & General Counsel to assess any matters notified via the Society's many whistleblowing channels, and to ensure any actions and learnings are properly followed up by the executive team. The Society maintains a documented Whistleblowing policy which is communicated to all employees. This is complemented by the Society's anti-fraud policy. Safecall UK continue to provide a third-party independent reporting line to enable individuals wishing to report a concern at work to do so in a safe and confidential way.



## Anti-bribery

At Lincolnshire Co-op, we conduct all our business in an honest and ethical manner in line with our values of being helpful, inspiring and trustworthy. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, and implementing and enforcing effective systems to counter bribery and corruption. We have a zero tolerance towards bribery and will never permit or authorise the offering, making or receiving of a bribe.

No reported instances of bribery were recorded during the year ending 2nd September 2023. Recommendations arising from the Society's internal audit review will be implemented through an updated Gifts & Hospitality policy, enhanced declaration and approval processes, and colleague training.



## Money laundering and financial crime

Money laundering is the process whereby criminals attempt to conceal the true origins and ownership of the proceeds of criminal activity. Their objective is to make the proceeds of crime appear legitimate by integrating them into the financial system. We take seriously our responsibility for ensuring that the Society is not used as a conduit for the proceeds of financial crime.

# Audit & Risk Committee

**Committee membership** (as at 2nd September 2023):

**Ian Haldenby** (Chair), **Steve Hughes**, **Jackie Munn**, **Richard Wills**



Scan this QR code to  
watch the committee  
chair's report

## Committee purpose:

Monitor and review the financial reporting process, internal control and risk management systems, and the effectiveness of the assurance framework.



A full copy of the Committee's Terms of Reference can be found at:  
<https://www.lincolnshire.coop/about-us/board-of-directors>

## Chair's summary

*“The Society has faced tough trading conditions this year, bringing increased challenges and pressures on our business and colleagues. Effective risk management supported by strong reporting and assurance have therefore been key areas of focus for the Audit & Risk Committee. We are pleased to see that the internal audit programme commissioned last year has identified opportunities to modernise and strengthen the Society's internal control framework. The Committee is satisfied that the assessments and results contained in this Annual Report are fair, balanced and understandable.”*



**Ian Haldenby**

## Going concern assessment

During the year, the Committee received reports from the Chief Financial Officer outlining the basis on which it is reasonable for the Society to continue to prepare its financial statements on a 'going concern' basis. In simple terms, going concern means that the Society will continue to trade and meets its liabilities as they fall due.

As part of its assessment, the Committee has taken into consideration changes affecting the macro-economic environment including rising interest rates and inflation, the increased cost of living, and supply chain pressures owing to material shortages and the conflict in Ukraine.

Mazars, as the Society's external auditor, have reported on year-end financial statements and the Committee considered the external auditors report prior to recommending approval of the financial statements to the Board. Mazars has reported to the Committee on the work carried out in relation to the most significant areas of audit risk and where accounting assumptions and estimates have been applied by management. Management confirmed to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. Mazars calculated its materiality levels, which were presented to and approved by the Committee at the planning stage.

The external auditor provided the Committee with a summary of any misstatements which exceeded that threshold which had been identified during the course of the testing and no material amounts remain unadjusted. The Committee is also responsible for considering the annual external auditors' management letter and monitoring progress being made by management to address any such findings.

After reviewing reports by management and after consulting with the external auditor, the Committee was satisfied that the financial statements appropriately address the critical judgements and estimates. The Committee also satisfied itself that the significant assumptions used for determining the value of the Society's assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.



## Annual Report

The Audit & Risk Committee is responsible for considering on behalf of the Board whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary to members to assess the group's performance, business model and strategy. In justifying this statement, the Committee has considered the robust process which operates in creating the Annual Report and Accounts, which includes the following:

- Changes to regulatory requirements, including the Co-operative Code, are considered on an ongoing basis.
- Key accounting judgements are presented to the Audit Committee for approval.
- Whether the description of the Society's business model is accurate; whether the narrative reports explain the financial statements; whether the principal risks and uncertainties faced by the Society are clearly described, together with mitigating actions and whether the Society's liquidity positions over the next year is adequate to support the going concern assessment.
- Whether there are any significant control weaknesses, or failings which should be brought to the attention of the Society's members.
- A thorough process of review and evaluation of the inputs into the accounts to verify accuracy and consistency, including review by senior management.
- A meeting of the Audit & Risk Committee to review and consider the draft Annual Report and accounts in advance of the final sign-off.

The Chair of the Audit & Risk Committee reports its conclusions for final sign-off by the Board of Directors. As part of the Committee's assessment of the Annual Report and Accounts, prior to reporting to the Board on this topic, the Committee draws on reports prepared by and discussions with the Chief Financial Officer. The Committee is satisfied that senior members of the Finance team are fully familiar with the fair, balanced and understandable requirement. The Committee receives assurance from members of the Executive Leadership Team that they consider the content for which they are responsible is fair, balanced and understandable.

## Auditor independence

The Audit Committee is responsible for assessing the effectiveness of the annual audit process, monitoring the independence and objectivity of the external auditor and making recommendations to the Board in relation to the appointment, reappointment, remuneration and removal of the external auditor. As part of its annual assessment of the effectiveness of the external audit process, the Committee conducts a formal review whereby members of the Committee consider the performance, qualifications, expertise, resources, independence and objectivity of the external auditor. The results of the review are discussed by the Committee without the external auditor being present and any actions or suggestions about the external process are subsequently discussed with the external auditor.

The Committee has reviewed and approved the external auditor's overall work plan which further ensures that the process is effective. In order to safeguard auditor objectivity and independence, the Committee maintains a formal policy which governs the engagement of the external auditor for non-audit services. The policy is designed to ensure that the provision of such services does not have an impact on the external auditor's independence and objectivity. This policy identifies services which can only be undertaken with appropriate authority from the Committee where non-audit fees will exceed pre-set thresholds. The external auditor may only provide such services if the associated advice does not conflict with their statutory responsibilities and ethical guidance. The Committee receives regular information on the fees paid for non-audit work to the audit firm, an annual report on the non-audit services being provided and the cumulative total of non-audit fees. Details of the audit fee can be found on page 48.

## The Society's Control Framework and Internal Audit Programme

Internal audit is a vital source of assurance for the Audit & Risk Committee and, ultimately, the Board that the delivery of the Society's purpose and trading activities is undertaken in line with settled risk appetite and tolerances, and within a robust internal control framework. The Society performs independent reviews of regulatory, operational and financial control procedures across the business and reports its findings to the Audit & Risk Committee. Progress against management action plans to overcome internal control weaknesses and business risks is also monitored and reported to the Audit & Risk Committee. Last year, the Society reported that BDO (a specialist provider of professional services including outsourced internal audit) had been appointed to undertake a series of reviews. Throughout this financial year, the Committee has received reports covering the following risk areas within the Society:

- Implementation of the society's new hr and payroll system, 'my place'.
- Key financial controls.
- Budget process.
- Procurement and contract management.
- Data privacy.

The reviews have identified recommendations that will modernise and introduce greater automation into the Society's control environment. Progress to implement these recommendations will be monitored closely by the Committee, and BDO will revisit certain areas during the course of 2024 to assess the extent to which assurance has improved as a result of any measures taken.

## Risk Management

The Committee has continued to receive detailed reports from the executive on key risk areas and has been pleased to see the introduction of the Risk & Assurance Group as a focal-point for discussion of risk management and the development of best practice. The Society has implemented a centralised risk management system that records and monitors the Society's overall risks, and the controls and actions needed to mitigate them. The Group Secretary & General Counsel with support from the Head of Risk & Assurance monitors the compliance and effectiveness of all measures noted against each of the Society's documented risk registers.

Over the course of the year, the Committee has received specific risk updates related to developments within the Society's trading activities and the external environment, including enhancements to the IT estate (ensuring that key infrastructure remains stable, supported and secure), and property related risks including the steep rise in tenant insolvencies (and so-called company voluntary arrangements or 'CVAs'), and pressures on both rentals and capital valuations.

## Approval

This report is approved by the Audit & Risk Committee and signed on its behalf by:



**Ian Haldenby**  
**Chair of the Audit & Risk Committee**

# Remuneration Committee

## Committee membership (as at 2nd September 2023):

Jane Moate (Chair), David Cowell, Jackie Munn, Claudia Nel



### Committee purpose:

Ensure that Remuneration policies, principles and practices are appropriate to enable the business to attract, retain and reward people with the right skills, experience, knowledge and behaviours to support achievement of the Society's purpose, goals and objectives.



A full copy of the Committee's Terms of Reference can be found at:  
<https://www.lincolnshire.coop/about-us/board-of-directors>

### Chair's summary

*"The Remuneration Committee has been pleased to support key reviews of colleague remuneration this year. It is vital that we continue to monitor the impact of what continues to be a challenging economic environment with enduring cost of living pressures. The Committee has also helped review and shape formation of the Society's new Executive Leadership Team, a key strategic step that will ensure the Society is structured and led in a way that supports sustainable success in the long term. Induction and onboarding of the Society's new Chief Executive Officer has been a key activity in 2023 and the Committee has received regular updates to ensure this has been an effective process. We are pleased to see that gender pay across the work force has improved against the previous financial year, and we hope to see further progress during 2024."*



Jane Moate

### Colleague pay

The increased cost of living and challenges associated with high inflation have been factors affecting all of our colleagues, and particularly those at the front line. The Society has also faced strong economic headwinds during the course of the financial year, which has also influenced the affordability of remuneration and other financial decisions. However, the Committee was pleased to approve a general colleague pay increase of six per cent (6%) with higher awards for frontline colleagues, including nine point four per cent (9.4%) for Customer Service Assistants, and nine point one per cent (9.1%) for Team Leaders. The increases will come into effect from September 2023 and will ensure the Society retains the right talent and skills for the future.

The Society does not pay the lower levels of the National Minimum Living Wage to colleagues under the age of 23. All colleagues, regardless of age, receive the adult rate for the job.

The remuneration packages of the Chief Executive Officer and the Group Secretary & General Counsel are determined by the Board on the recommendation of the Remuneration Committee in accordance with remuneration principles and policy agreed by the Board. The Chief Executive and the Group Secretary & General Counsel under the arrangements outlined in this report, do not play any part in the consideration of determination of their own remuneration package. The services of the Interim Group Secretary were provided through Addleshaw Goddard LLP and fees of £128,850.88 were incurred between September 2022 and January 2023 (when Robert Allen formally commenced appointment as the Society's permanent Group Secretary & General Counsel).

Mrs C Finn, wife of Mark Finn, Chief Operating Officer, provided therapist services to the Society to the value of £19,740. Mark Finn has no involvement in the procurement of these services.

Determination of the remuneration packages of other members of the Senior Leadership Team (or, as of 3rd July 2023, the Executive Leadership Team) is delegated to the Chief Executive Officer who discusses her approach and conclusions with the Committee.

The emoluments of the Senior Leadership Team (or, as of 3rd July 2023, the Executive Leadership Team) paid during the year including salary, performance related pay, settlement, bonus, pension contributions and taxable benefits fell into each £10,000 bracket as below.

When there have been changes, the emoluments represent the time spent in the relevant position.

Banding	2023 number*	2022 number
£50,000-£60,000		1
£100,000-£110,000	3	1
£110,000-£120,000		1
£140,000-£150,000		1
£150,000-£160,000	1	
£160,000-£170,000	1	1
£170,000-£180,000		1
£180,000-£190,000	1	
£190,000-£200,000	1	
£230,000-£240,000		1
£250,000-£260,000	1	
£280,000-£290,000		1
£350,000-£360,000	1	
£540,000-£550,000	1	
£550,000-£560,000		1
£710,000-£720,000		1

\*The number includes members of the Society's Senior Leadership Team up to and including 2nd July 2023, and members of the Executive Leadership Team with effect from 3rd July 2023.

## Colleague bonus and profit share arrangements

The Society operates a colleague profit share scheme. Subject to Board approval, all eligible colleagues receive a profit share payment equivalent for each half year of trading.

In the year from 2nd September 2023, all eligible colleagues received profit share bonus of 45% of a week's wage (for the half year to September 2022) and 50% of a week's wage (for the half year to March 2023). The profit share for the half year to September 2023, paid in November 2023, was 20%.

Management bonuses are a key element of the Society's reward package. They help us recruit, reward, retain and motivate the Society's managers, who are instrumental in shaping and delivering the strategy, innovating, creating the right culture and inspiring those they lead.

For the year to March 2023, eligible management colleagues received the equivalent of between 350% to 550% of a weekly wage.

## Creation of the Executive Leadership Team

We have revised the organisation structure, at a senior level, following a review of the SLT and roles reporting to the CEO. With effect from 3rd July 2023, we formed an Executive Leadership team, replacing the previous Senior Leadership Team. This comprises fewer roles, which are more strategic in nature and have Society-wide leadership impact.



The full composition changes can be seen from the table below:

<b>Senior Leadership Team</b> (up to and including 2nd July 2023)	<b>Executive Leadership Team</b> (with effect from 3rd July 2023)
Chief Executive Officer	Chief Executive Officer
Chief Financial Officer	Chief Financial Officer
Chief Retail Officer	Chief Operating Officer
Head of People & Performance	Chief People Officer
Head of Marketing & Membership	Chief Purpose & Proposition Officer
Head of Pharmacy	Group Secretary & General Counsel
Head of Funeral Services	
Head of Group Services	
Group Secretary & General Counsel	

Steve Galjaard, a long serving member of the former Senior Leadership Team, has now left the Society. The Board of Directors wish Steve every success for the future and thank him for his contribution to the Society, over many years with us.

The Society has appointed an interim Chief Financial Officer, Henry Breese, who joined us on 4th September 2023.

## CEO pay ratio

The CEO pay ratio provides a snapshot of the overall pay gap that exists between the CEO (typically the highest paid person within the organisation) and the average employee in the same organisation and is calculated using the single total figure of remuneration which includes total salary, variable pay, pension and taxable benefits. During the financial year to 2nd September 2023, the Society has had three different CEOs in post:

<b>CEO</b>	<b>Term</b>
Ursula Lidbetter	4th September 2022 to 31st December 2022
Steve Galjaard (Acting CEO)	1st January 2023 to 2nd April 2023
Alison Hands	3rd April 2023 to 2nd September 2023

The Society has chosen to publish the CEO pay ratio using Option B, which shows that the CEO pay has been 27.3 times that of the median colleague pay (this means that when all colleagues' pay is listed from highest to lowest, the median is the middle value in that list):

<b>Year</b>	<b>Method</b>	<b>25th percentile ratio</b>	<b>Median (50th) pay ratio</b>	<b>75th percentile ratio</b>
2023	Option B	27.3	27.3	24.3

The Society has chosen to publish the CEO pay ratio using Option B, which shows that the CEO pay has been 27.3 times that of the median colleague pay (this means that when all colleagues' pay is listed from highest to lowest, the median is the middle value in that list).

## Directors remuneration

The Society's members approve the directors' fees. Members last considered directors fees at the Society's half yearly meeting held on 3rd June 2021, when the current level and basis for determining directors' fees was agreed. Fees are updated each year in line with the index of average earnings, as approved by members. The outcomes from the Board Effectiveness Review conducted this year will be used to assess whether any adjustment to Director's fees is appropriate given the commitment required.

The present basic rate fees are:-

	2022/2023
Society President	£ 10,695.31
Society Vice-President*	£ 9,537.00
Board Chair	£ 14,680.00
Directors	£ 8,913.00

- The Vice President role has been retired effective from June 2023.

The Chairs of both the Remuneration and Audit & Risk Committees receive an additional fee of £113.61 for the additional duties associated with those roles. All members of the Remuneration and Audit & Risk Committees receive an additional sum of £387.44 per committee.

Directors also receive mileage allowances for using their own cars, reimbursement of public transport fares and reasonable actual expenditure for meals and hotels in line with the Society's Expenses Policy.

Individual Directors' total gross remuneration (including expenses etc) were as follows:-

	Year ended 2nd September 2023	Year ended 3rd September 2022
Jane Moate	£9,558	£13,055
Claudia Nel	£11,318	£14,310
David Cowell	£81,091	£84,874
Ian Haldenby	£22,587	£23,822
Stephen Hughes	£9,707	£9,649
Nicola Berry	£10,435	£9,061
Jackie Munn	£9,459	£6,263
Richard Wills	£9,240	£8,994
Julia Romney	£8,892	£8,624
James Scott	£8,926	£6,191
Mark Fields*	£1,714	
Stuart Parker		£2,890
Barbara Hutchinson		£2,739
Margaret Tranter		£7,074

\*Elected to the Board in June 2023

The following additional remuneration was agreed and paid to the Board's appointed Directors:

- The Board Chair received additional remuneration (agreed by the Society's Board in March 2022) in recognition of the skills, experience and additional time and duties expected of him in the oversight of changes taking place within the Society's executive team, and the Board Effectiveness Review. The additional remuneration paid to the Chair of the Board in the year to 2nd September 2023 was £64,400.
- The Chair of the Audit & Risk Committee received additional remuneration in recognition of the need to attract an individual with recent and relevant experience and the additional time expected of him in the oversight of changes taking place in the Society's assurance framework. The additional remuneration paid to the Chair of the Audit and Risk Committee in the year to 2nd September 2023 was £13,453.

No other additional remuneration was paid to Directors for the year to 2nd September 2023. Any future proposal for additional remuneration will be subject to rigorous evaluation based on the relevant requirement giving rise to additional duties, and whether the relevant Director is able to offer the necessary time and commitment to discharge the same.

## External advisors

The Committee appointed Ernst & Young (EY) to be its reward advisors for 2022/23. EY prepared a schedule of activity, including assessment of remuneration policy and strategy, and review of non-executive Director base payments.

The Committee keeps its external advisory arrangements under review and will ensure any future engagements reflect particular needs of the Society, having regard to business changes and the relevant legal and economic landscape.

## Gender pay gap reporting

All UK organisations with more than 250 employees are required by law to report on their mean and median gender pay and bonus pay gap each year.

Our full Gender Pay Report for the period to 5th April 2023 can be found on the Society's website: [Lincolnshire.coop/financialreports](https://lincolnshire.coop/financialreports)

Nationally, more females work in part-time roles than males, which impacts gender pay results and our data reflects this.

- 72% of our colleagues are female of which 26% work full-time
- 28% of our colleagues are male of which 40% work full-time
- 56% of our managers are female
- 45% of our Board of Directors are female

## Gender pay gap

- Our mean hourly pay gap is 19.1% compared to 26.98% in 2022.
- Our median hourly pay gap is 5.4% compared to 8.59% in 2022.



The gender pay gap is often confused with equal pay, however the two are not the same. Equal pay is the right for males and females to be paid the same rate when carrying out the same jobs or similar jobs or work of equal value. The majority of our roles attract a fixed rate of pay, regardless of the gender or age of the colleague performing that role. Gender pay is a measure of the difference between male and female average earnings across an organisation. Having a gender pay gap does not mean that there is an equal pay issue within an organisation. There can be a number of reasons for this, including a gender imbalance in different levels of roles, or if a particular type of role is dominated by one sex. Lincolnshire Co-op is an equal pay employer and adheres to equal pay legislation.

## Approval

This report is approved by the Remuneration Committee and signed on its behalf by:

A handwritten signature in black ink that reads "Jane Moate". The script is fluid and cursive, with the first letters of each word being capitalized and prominent.

**Jane Moate**  
**Chair of the Remuneration Committee**

# Search & Membership Committee

**Committee membership** (as at 2nd September 2023):

**Steve Hughes** (Chair), **Jane Moate**, **Claudia Nel**, **James Scott**



## Committee purpose:

Ensure that the Board is of an appropriate size and has an appropriate balance of knowledge, skills and experience to lead the business, and to promote active engagement with the Society's members.



A full copy of the Committee's Terms of Reference can be found at:  
<https://www.lincolnshire.coop/about-us/board-of-directors>

## Chair's summary

*“Democracy and engagement are key values within our Society. This year's election showcased the passion and commitment within our membership to represent the Society by joining the Board of Directors. We will continue to enhance the election process to ensure that a strong pipeline of skills and experience feature in future candidates presented to the membership. This year has also seen strong engagement across our communities, with successful member meetings supplemented by an extensive programme of activity led by the Society's marketing and membership team.”*



**Steve Hughes**

## Society elections

This year saw a contested election for three positions on the Board. The Society saw very high expressions of interest from eligible members, and the highest number of votes cast in any election to date. We were pleased to welcome a new Director and see the re-election of two existing Directors, introducing new skills and experience within the Board whilst also maintaining a degree of continuity. Each vote resulted in £1 donated to the Society's Community Champions causes, resulting in a grand total of £13,746 by the end of the election period.

The Committee has been pleased to oversee positive improvements to the Society's election process, including:

- **External candidate assessment:**

We introduced a new qualitative stage in the assessment of interested candidates who met the Society's existing eligibility criteria. The assessment was facilitated by an external provider, Green Park (an external talent advisory specialist), and focused on defined competencies grouped under four 'clusters': knows self, leads people, advances inclusion, and shapes transformation. The outputs were considered in detail by the Committee and helped provide a more rounded assessment of the traits that prospective candidates could bring into the Board environment.

We intend to include this qualitative stage in the Society's future election process to ensure that the pipeline of candidates presented to members for voting meets the Board's competency framework.

- **Digital-first approach to voting:**

We supported the proposal to dispatch electronic voting packs to all members that the Society held a valid email address for (175,241 members in total). For all other eligible members, a postal pack was

submitted to ensure all members received the opportunity to vote. This digital-first approach had a direct environmental benefit in reducing the use of printed materials, and at a significantly reduced cost to the Society. It also allowed members to vote using a more accessible and convenient channel.

Further improvements to the election process are planned for next year, including the introduction of a fully online candidate management system. Board diversity remains another key priority of the Committee looking forward.

Members wishing to stand for election to the Society's Board should initially contact the Society's Group Secretary & General Counsel. Details about standing for election to the Society's Board can also be found on the Society's website at: [lincolnshire.coop/boardofdirectors](http://lincolnshire.coop/boardofdirectors).

## Planning for members' meetings

Regular and active engagement with the Society's members is a key objective of the Committee. As a Co-operative, the Society's Board is answerable and accountable to its Members. The Board is committed to and proud of the Society's co-operative heritage and works proactively to balance Member interests with those of other stakeholder groups.

The Committee has overseen the planning for the Society's two key member events throughout the year: the Half Year Members Meeting (HYMM) and the Annual Members Meeting (AMM). Both events were held at the Lincolnshire Showground and celebrated the Society's commitment to, and engagement with local communities. Further detail about both events is included at page 8 of this report. The HYMM included a special resolution to amend the Society's Rule Book to facilitate the development of a new digital membership application. The change ensures that delivery of online services to younger members meets the expectations and requirements of the Information Commissioner's Office. The Society will be providing further updates about the new membership application over the coming months.

The Society seeks to encourage eligible Members to participate in the HYMM and AMM, either by attending in person where possible or on-line. The AMM provides Members with the opportunity to hold the Board to account through raising questions and voting either for or against any of the resolutions on the agenda at that meeting. The voting process is overseen by the Society's Group Secretary & General Counsel. The results of the vote are published on the Society's website. In accordance with the Society's rules, Notice of the HYMM and AMM is published at least 14 days prior to the Meeting. All Directors attend the meeting unless their absence cannot be avoided.

The Committee has reviewed feedback received from both the HYMM and AMM, and will ensure all suggestions to the format and logistics are considered and, where appropriate, taken forward into the meetings scheduled for the next financial year.

## Community engagement initiatives

The Committee received regular updates from the Marketing & Membership team regarding the programme of community and engagement activity planned and implemented throughout the year. Further information about this activity is included on page 10 of this report.

## Retirement of Vice President role

In June 2023, the Committee recommended, and the Board agreed to, retirement of the Vice President role. The Board consider that the President will continue to act as focal point for member representation on its behalf, but engagement with members and attendance at events should otherwise be undertaken by the Board as a whole.

This report is approved by the Search & Membership Committee and signed on its behalf by:



**Steve Hughes**  
**Chair of the Search & Membership Committee**

# Compliance statement

The Society complies with the Co-operative Governance Code except as set out below:

**Member Voice, Participation and Engagement (Code Principle 1 Provisions 1&2):**

The Code requires the board to draft a statement explaining the democratic structure of the Co-operative and to develop communications that clearly define the role of members in the structure. The board informs Members about the structure and democratic nature of the Society in a number of different ways including through the Annual Report and Accounts, member meetings, member magazines and via social media.

**Member value (Code Principle 2 Co-operative Leadership and Purpose Provision 2):**

The Code requires the Board to draft a statement providing details of the value generated for membership. No specific statement to this effect is included in the Annual Report and Accounts as the Board tells Members about the value it generates in a number of different ways including through member meetings, member magazines, email, via the Society's website and social media.

**Remuneration of the Board and Executive Leadership Team (Code Provision 1):** The Code requires details of individual packages of the Chair of the Board, Chief Executive Officer, Group Secretary & General Counsel and members of the Executive Leadership Team (if applicable) and the process by which their remuneration fees have been determined should be provided in the Annual Report. Details of the individual remuneration packages of the Chief Executive Officer and members of the Executive Leadership Team are not disclosed, or put to Members for an advisory vote, but an explanation of this is contained in the Remuneration Committee report and further information is contained within the financial statements.

The corporate governance statement set out above is signed on behalf of the Board of Directors.



*Robert Allen*

**Robert Allen**  
Group Secretary &  
General Counsel



*David Cowell*

**David Cowell**  
Chair of the Board  
of Directors



*Alison Hands*

**Alison Hands**  
Chief Executive Officer



## Independent auditor's report to the members of Lincolnshire Co-operative Limited

### Opinion

We have audited the financial statements of Lincolnshire Co-operative Limited for the period ended 2 September 2023 which comprise the Group Revenue Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Funds Employed and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 2 September 2023 and of the Group's deficit for the period 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 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 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 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 Board of Director's 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 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 Board of 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 Board of 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.

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

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Group has not kept proper accounting records; or
- the Group financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the Board of Directors**

As explained more fully in the directors' responsibilities statement set out on page 38, the Board of 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 Board of Directors are responsible for assessing the Group'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 Board of Directors either intend to liquidate the Group 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, food safety regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Group is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, and the Co-operative and Community Benefit Societies Act 2014.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

## Use of the audit report

This report is made solely to the Society in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society 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 Society for our audit work, for this report, or for the opinions we have formed.

## Other required reporting

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

*Jennifer Birch*

**Jennifer Birch CA** (Senior Statutory Auditor) for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor

First Floor  
2 Chamberlain Square  
Birmingham  
B3 3AX  
Date

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

The directors are responsible for preparing the Directors' Report and the Group 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 of the income and expenditure of the Group for that period.

In preparing the Group 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'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 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 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 page 39 to 59 are signed on behalf of the Board of Directors pursuant to the Co-operative and Community Benefit Societies Act 2014.



**David Cowell** Chair



**Ian Haldenby** Director



**Rob Allen** Group Secretary



## General information

Lincolnshire Co-operative Limited (the 'Society') is a registered society under the Co-operative and Community Benefit Societies Act 2014 incorporated in the UK. The address of the Society's registered office is Stanley Bett House, 15-23 Tentercroft Street, Lincoln, LN5 7DB.

## 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"). The financial statements are prepared on the historic cost basis except that property and funeral plans are stated at their fair value.

At 2nd September 2023, the net assets of the Society were £289,634,000 and net current assets were £27,485,000. The Group has cash at bank at the year end of £29,915,000. Trading surplus remains robust and the Society has adequate resources to continue in operational existence for the foreseeable future.

The directors have prepared detailed cashflow forecasts for a 24 month period from the year end date, which take into account the Society's liquidity and its available banking facilities, including the financial covenants attached to those facilities. In preparing this assessment, the directors have considered reasonably plausible downside scenarios which reflect any ongoing impacts from the current economic challenges including cost of inflation for the Society and potential impacts on sales revenue due to customer spending habits changing. The plausible downside forecasts indicate that the Group has sufficient liquidity, and the ability to operate within its financial covenants throughout the going concern period, such that it is able to continue to meet its liabilities as they fall due.

Accordingly, the directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the going concern period, and the directors therefore continue to adopt the going concern basis in preparing these financial statements.

## Basis of consolidation

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

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.

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.

## Turnover

Turnover is measured at fair value of the consideration received or receivable, net of value added tax, discounts, and incentives.

For the sale of goods, turnover is recognised at the point of sale.

For the provision of services, turnover is recognised when the service is performed.

For travel commissions, turnover is recognised on an agency basis at the point of a holiday booking with a reduction to allow for future cancellations.

For other commission income, turnover is recognised based on the terms of the contract.

For property rental income, turnover is recognised over the lease term on a straight line basis net of any lease incentive.

## Repairs

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

## Government grants

Government grants are generally included within accruals and deferred income in the Group Balance Sheet and credited to the Group Revenue Account in the period in which the related costs are incurred.

## 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.

Current tax is charged or credited to the Group Revenue Account and is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the Group Balance Sheet date.

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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is charged or credited to the Group Revenue Account, except when it relates to items charged to the Group Statement of Comprehensive Income, in which case the deferred tax is also dealt with in the Group Statement of Comprehensive Income respectively.

## Intangible assets and impairments

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

When there is an indication of impairment, the carrying amount of goodwill and other intangibles are compared to the recoverable amount, with any difference being charged to the Group Revenue Account.

## 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 less impairment 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

Investment properties are measured at current fair value with any change in value recognised in the Group Revenue Account and are not subject to depreciation.

The fair value valuations are carried out in accordance with the Royal Institution of Chartered Surveyors ("RICS") valuation standards by external valuers.

## Investments

Fixed asset investments 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.

## Funeral plans

Due to regulations from the Financial Conduct Authority ("FCA"), on 14 July 2022 all funeral plans held by the Group were transferred at fair value to Ecclesiastical Planning Services Limited, a FCA regulated third party.

## Funeral benefits

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

## Stocks

Stocks are valued in line with the lower of cost and net realisable value, with food store stock calculated using retail price less margin and value added tax.

Cost is based on the first in first out principle and includes expenditure incurred in acquiring the stocks, production costs and other costs in bringing them to their existing location and conditions where appropriate.

Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs to sell. Provision is made where necessary for slow moving and defective stocks.

## Debtors

Debtors, as basic financial assets, are initially measured at transaction value. Such assets are subsequently measured at amortised costs less any impairment.

## 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).

## Creditors

Creditors, as basic financial liabilities, are initially measured at transaction value and thereafter measured at amortised costs using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at value.

Financial liabilities are recognised on the trade date. Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires.

## 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 dividend bonus approved in the financial year.

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.

## Provisions

Provisions are recognised when there is a present legal or constructive obligation arising as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

## Reserves

The Revenue reserve represents cumulative surpluses or deficits, net of dividends paid and other adjustments.

The Revaluation reserve represents unrecognised gains on properties. This reserve is not distributable to members until the gain is realised upon the sale of the property it relates to.

## 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 and to future accrual in December 2020.

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 surplus/(deficit) is recognised in full. The movement in this scheme surplus/(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 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.

## Accounting estimates and judgements

### Key sources of estimation uncertainty:

#### 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 18.

### Critical accounting judgements:

#### Property valuation

Land and buildings are revalued each year by an external Chartered Surveyor. Valuations require the use of estimates including such matters as rental tone, market yields, disposal values and void periods. The valuations are detailed in notes 8 and 9.

#### Goodwill impairment

The carrying value of goodwill and other intangible assets is assessed each year against the current value of future cashflows expected, or fair values, less costs to sell as detailed in note 7.

## Year Ended 2nd September 2023

	Note	2023 (52 weeks) £'000	2022 (52 weeks) £'000
<b>Turnover</b>	1	<b>353,942</b>	339,797
Less: cost of sales		<b>(240,152)</b>	(232,757)
<b>Gross profit</b>	1	<b>113,790</b>	107,040
Less: expenses – ordinary trading	2	<b>(99,552)</b>	(88,972)
		<b>14,238</b>	18,068
Less: expenses – member benefits and grants	5	<b>(2,137)</b>	(1,506)
<b>Trading surplus</b>	1	<b>12,101</b>	16,562
Surplus on sale of fixed assets		<b>752</b>	2,475
Deficit on revaluation of property		<b>(20,526)</b>	(628)
<b>Operating (deficit)/surplus</b>		<b>(7,673)</b>	18,409
Group share of surplus in joint ventures	10	<b>127</b>	-
Net finance income/(charges)	4	<b>1,707</b>	(499)
Losses on changes to pension	18	<b>(852)</b>	-
<b>(Deficit)/surplus for the year before payments to and on behalf of members</b>		<b>(6,691)</b>	17,910
Less: payments to and on behalf of members	5	<b>(3,780)</b>	(3,585)
<b>(Deficit)/surplus for the year before taxation</b>		<b>(10,471)</b>	14,325
Taxation	6	<b>(1,768)</b>	(2,558)
<b>(Deficit)/surplus for the year</b>		<b>(12,239)</b>	11,767
Attributable to:			
Non-controlling interests		<b>(134)</b>	(486)
Transferred to reserves		<b>(12,105)</b>	12,253
		<b>(12,239)</b>	11,767

The accounting policies on pages 39 to 42 and the notes on pages 48 to 59 form part of these accounts



## Year Ended 2nd September 2023

	Note	2023 (52 weeks) £'000	2022 (52 weeks) £'000
<b>Retained (deficit)/surplus for the year</b>		<b>(12,239)</b>	11,767
Unrealised deficit on revaluation of trading properties		(1,135)	(411)
Share interest		(8)	(10)
Current tax on share interest		1	2
Actuarial (loss)/gain on pension scheme		(10,722)	44,506
Deferred tax on actuarial loss/(gain)		3,431	(14,255)
<b>Total comprehensive (deficit)/surplus for the year</b>		<b>(20,672)</b>	41,599
<b>Attributable to:</b>			
Non-controlling interests	15	(134)	(486)
Transferred to reserves		(20,538)	42,085
		<b>(20,672)</b>	41,599

The accounting policies on pages 39 to 42 and the notes on pages 48 to 59 form part of these accounts

## As at 2nd September 2023

	Note	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Intangible assets	7	7,766	7,731
Tangible assets	8	104,317	102,089
Investment properties	9	138,602	161,621
Investments	10	290	290
Share of joint venture	10	156	29
		<b>251,131</b>	<b>271,760</b>
<b>Current Assets</b>			
Stocks – goods for resale		14,836	12,925
Debtors			
- amounts falling due within one year	11	31,404	22,156
- amounts falling due after more than one year	11	664	883
Cash at bank and in hand		29,915	27,620
		<b>76,819</b>	<b>63,584</b>
<b>Creditors: amounts due within one year</b>			
Creditors	12	44,670	36,751
Dividend	12	4,664	4,771
		<b>49,334</b>	<b>41,522</b>
<b>Net current assets</b>		<b>27,485</b>	<b>22,062</b>
<b>Total assets less current liabilities</b>		<b>278,616</b>	<b>293,822</b>
<b>Creditors: amounts falling due after more than one year</b>	12	<b>(1,383)</b>	<b>(1,446)</b>
<b>Provision for liabilities</b>	13	<b>(9,698)</b>	<b>(11,457)</b>
<b>Net assets excluding pension surplus</b>		<b>267,535</b>	<b>280,919</b>
Pension surplus	18	22,099	29,612
<b>Net assets</b>		<b>289,634</b>	<b>310,531</b>
<b>Financed by:</b>			
Share capital	14	4,342	4,567
Revaluation reserve		47,839	54,686
Revenue reserve		238,480	252,171
<b>Members' funds</b>		<b>290,661</b>	<b>311,424</b>
<b>Non-controlling interests</b>	15	<b>(1,027)</b>	<b>(893)</b>
<b>Total funds employed</b>		<b>289,634</b>	<b>310,531</b>

The accounting policies on pages 39 to 42 and the notes on pages 48 to 59 form part of these accounts.

## Year Ended 2nd September 2023

	Note	2023 (52 weeks) £'000	2022 (52 weeks) £'000
<b>Net cash flow from operating activities</b>	16	<b>11,104</b>	5,570
<b>Cash flow from investing activities</b>			
Sale of tangible fixed assets		16,294	17,118
Sale of fixed asset investments		-	1,253
Interest received		418	26
Interest paid		(54)	(217)
Purchase of tangible fixed assets		(24,125)	(20,924)
Purchase of fixed asset investments		-	(30)
Acquisition of a business goodwill		(1,117)	-
Dividend from joint venture		-	120
		<b>(8,584)</b>	(2,654)
<b>Cash flow from financing activities</b>			
Issue of shares	14	410	396
Redemption of shares	14	(635)	(718)
Repayment of bank loans		-	(11,000)
		<b>(225)</b>	(11,322)
<b>Net increase/(decrease) in cash</b>		<b>2,295</b>	(8,406)
<b>Cash at start of year</b>		<b>27,620</b>	36,026
<b>Cash at end of year</b>		<b>29,915</b>	27,620

The accounting policies on pages 39 to 42 and the notes on pages 48 to 59 form part of these accounts.

	Share Capital	Revaluation Reserve	Revenue Reserve	Members' Funds	Non- controlling Interests	Total Funds
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At September 2021</b>	<b>4,889</b>	<b>57,945</b>	<b>206,827</b>	<b>269,661</b>	<b>(407)</b>	<b>269,254</b>
Surplus/(deficit)	-	-	12,253	12,253	(486)	11,767
Other comprehensive income/(losses)	-	(411)	30,243	29,832	-	29,832
Transfer on disposal of properties	-	(4,655)	4,655	-	-	-
Transfer between reserves	-	1,807	(1,807)	-	-	-
<b>Total comprehensive income/(losses)</b>	<b>-</b>	<b>(3,259)</b>	<b>45,344</b>	<b>42,085</b>	<b>(486)</b>	<b>41,599</b>
Share capital contributions	386	-	-	386	-	386
Share capital withdrawals	(718)	-	-	(718)	-	(718)
Share interest	10	-	-	10	-	10
<b>Transactions with members</b>	<b>(322)</b>	<b>-</b>	<b>-</b>	<b>(322)</b>	<b>-</b>	<b>(322)</b>
<b>At September 2022</b>	<b>4,567</b>	<b>54,686</b>	<b>252,171</b>	<b>311,424</b>	<b>(893)</b>	<b>310,531</b>
Deficit	-	-	(12,105)	(12,105)	(134)	(12,239)
Other comprehensive losses	-	(1,135)	(7,298)	(8,433)	-	(8,433)
Transfer on disposal of properties	-	(3,412)	3,412	-	-	-
Transfer between reserves	-	(2,300)	2,300	-	-	-
<b>Total comprehensive losses</b>	<b>-</b>	<b>(6,847)</b>	<b>(13,691)</b>	<b>(20,538)</b>	<b>(134)</b>	<b>(20,672)</b>
Share capital contributions	402	-	-	402	-	402
Share capital withdrawals	(635)	-	-	(635)	-	(635)
Share interest	8	-	-	8	-	8
<b>Transactions with members</b>	<b>(225)</b>	<b>-</b>	<b>-</b>	<b>(225)</b>	<b>-</b>	<b>(225)</b>
<b>At September 2023</b>	<b>4,342</b>	<b>47,839</b>	<b>238,480</b>	<b>290,661</b>	<b>(1,027)</b>	<b>289,634</b>

## 1. Segmental analysis

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

	2023 (52 weeks) £'000	2022 (52 weeks) £'000
<b>Turnover</b>		
Retail	341,006	326,060
Investment property	12,936	13,737
<b>Total</b>	<b>353,942</b>	<b>339,797</b>
<b>Gross profit</b>		
Retail	100,854	93,303
Investment property	12,936	13,737
	<b>113,790</b>	<b>107,040</b>
<b>Common costs</b>	<b>(101,689)</b>	<b>(90,478)</b>
<b>Trading surplus</b>	<b>12,101</b>	<b>16,562</b>
<b>Net assets</b>		
Retail	147,646	144,477
Investment property	141,988	166,054
<b>Total</b>	<b>289,634</b>	<b>310,531</b>

## 2. Expenses – ordinary trading

	2023 (52 Weeks) £'000	2022 (52 Weeks) £'000
Personnel costs	60,236	54,700
Property rents	603	523
Other occupancy costs	14,513	10,926
Hire of plant – operating leases	20	31
Depreciation	7,318	6,757
Surplus on sale of fixed assets	-	(282)
Amortisation of intangible fixed assets	1,082	1,090
Auditors' remuneration:		
- Audit of these financial statements - current year	108	92
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	85	70
- Other services	2	2
Directors' fees – director duties	102	106
Directors' fees – other duties	89	105
Other expenses	15,394	14,852
<b>Total expenses – ordinary trading</b>	<b>99,552</b>	<b>88,972</b>



### 3. Employees

The average number employed by the Group in the year ended 2nd September 2023.

	2023 Number	2022 Number
Part-Time	1,760	1,751
Full-Time	1,178	1,140
	<b>2,938</b>	<b>2,891</b>

The costs incurred in respect of these employees were:

	2023 (52 weeks) £'000	2022 (52 weeks) £'000
Wages and salaries	53,884	48,907
Social security costs	3,773	3,476
Other pension costs	2,579	2,317
<b>Total personnel costs</b>	<b>60,236</b>	<b>54,700</b>

#### Senior leadership / executive leadership emoluments

The emoluments of the senior/executive leadership team paid during the year including salary, performance related pay, bonus, pension contributions and taxable benefits can be found in the remuneration report on pages 26 to 31 of these financial statements.

### 4. Net finance charges

	2023 (52 weeks) £'000	2022 (52 weeks) £'000
<b>a) Interest receivable</b>		
Funeral plans	-	2,240
Unlisted investments	12	12
Expected return on pension scheme assets	6,482	3,028
Bank and other interest	407	14
	<b>6,901</b>	<b>5,294</b>
<b>b) Interest payable</b>		
Bank loans	-	193
Funeral plans	-	2,240
Interest cost on pension scheme obligations	5,140	3,306
Loan from non-controlling interest	54	54
	<b>5,194</b>	<b>5,793</b>
<b>Net finance (income)/charges</b>	<b>(1,707)</b>	<b>499</b>

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

	2023 (52 weeks) £'000	2022 (52 weeks) £'000
Donations to charity and community groups	570	376
Forfeits on shares	(21)	(171)
Member and community activities	1,588	1,301
	<b>2,137</b>	<b>1,506</b>

## 5. b) Payments to and on behalf of members

	2023 (52 weeks) £'000	2022 (52 weeks) £'000
Dividend	2,106	1,911
Further dividend paid in year	1,624	1,633
	<b>3,730</b>	<b>3,544</b>
Funeral benefit	50	41
<b>Total</b>	<b>3,780</b>	<b>3,585</b>

Dividend of £2,106,000 (2022: £1,911,000) has been accounted for during the year. Member purchases qualifying for such distribution are determined by the Board of Directors, as is the rate of distribution. A recommendation to allocate a further £1,474,000 (2022: £1,624,000) was made after the balance sheet date making a total of £3,580,000 (2022: £3,535,000). This equated to a dividend bonus of 70p (2022: 85p) for every £1 of qualifying dividend distributed and has been approved by the Board of Directors, which will be paid to members in proportion to the dividend already distributed in the year under review.

## 6. Taxation

	2023 (52 weeks) £'000	2022 (52 weeks) £'000
<b>a) Analysis of tax charge in year</b>		
<b>Current tax</b>		
UK corporation tax at 25% (2022: 19%) on surplus for the year	442	1,272
Overprovision in prior years	(565)	(137)
<b>Current tax (credit)/charge for the year</b>	<b>(123)</b>	<b>1,135</b>
<b>Deferred tax</b>		
Taxation on pension adjustments	802	533
Excess of capital allowances over depreciation	1,322	971
Other timing differences	(233)	(81)
<b>Deferred charges for the year</b>	<b>1,891</b>	<b>1,423</b>
<b>Taxation provided in the Group Revenue Account</b>	<b>1,768</b>	<b>2,558</b>
<b>Other comprehensive income items</b>		
Tax on share interest	(1)	(2)
Deferred tax on pension scheme	(3,431)	14,255
	<b>(3,432)</b>	<b>14,253</b>
<b>b) Factors affecting tax charge for the year</b>		
	2023 (52 weeks) £'000	2022 (52 weeks) £'000
(Deficit)/surplus before taxation	(10,471)	14,325
Deficit multiplied by standard rate of corporation tax in the UK of 25% (2022:19%)	(2,618)	2,722
Effects of:		
Revaluation of property	5,131	119
Other permanent differences between items affecting tax and accounting (deficit)/surplus	(2,009)	(1,569)
Deferred tax	1,891	1,423
Overprovision in prior years	(565)	(137)
Change in tax rate on deferred tax balances	(62)	-
<b>Taxation provided in the Group Revenue Account</b>	<b>1,768</b>	<b>2,558</b>

**6. Taxation (continued)**

The standard rate of corporation tax in the UK was increased to 25% in April 2023. This will increase the Group's current and future tax charge accordingly. The deferred tax balances at 2nd September 2023 have been calculated at this rate, reflecting the expected timing of the reversal of the related timing differences.

**7. Intangible fixed assets**

	<b>Goodwill £'000</b>	<b>Licences £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At September 2022	8,463	18,786	27,249
Additions (note 23)	-	1,117	1,117
<b>At September 2023</b>	<b>8,463</b>	<b>19,903</b>	<b>28,366</b>
<b>Amortisation</b>			
At September 2022	6,247	13,271	19,518
Charged in the year	180	902	1,082
<b>At September 2023</b>	<b>6,427</b>	<b>14,173</b>	<b>20,600</b>
<b>Net book value</b>			
<b>At September 2023</b>	<b>2,036</b>	<b>5,730</b>	<b>7,766</b>
At September 2022	2,216	5,515	7,731

**8. Tangible fixed assets – trading**

	<b>Land &amp; Buildings £'000</b>	<b>Fixtures Fittings &amp; Plant £'000</b>	<b>Transport £'000</b>	<b>Total £'000</b>
<b>Fair value/original cost</b>				
At September 2022	85,015	61,380	6,278	152,673
Acquisitions	145	-	-	145
Transfers	4,793	-	-	4,793
Additions	851	7,824	1,710	10,385
Disposals	(1,263)	(1,267)	(536)	(3,066)
Revaluation	(5,536)	-	-	(5,536)
<b>At September 2023</b>	<b>84,005</b>	<b>67,937</b>	<b>7,452</b>	<b>159,394</b>
<b>Depreciation</b>				
At September 2022	-	46,422	4,162	50,584
Charged in the year	1,074	5,275	917	7,266
Disposals	-	(1,164)	(535)	(1,699)
Revaluation	(1,074)	-	-	(1,074)
<b>At September 2023</b>	<b>-</b>	<b>50,533</b>	<b>4,544</b>	<b>55,077</b>
<b>Net book value</b>				
<b>At September 2023</b>	<b>84,005</b>	<b>17,404</b>	<b>2,908</b>	<b>104,317</b>
At September 2022	85,015	14,958	2,116	102,089

The value of land and buildings includes £1,645,000 (2022: £1,760,000) of leaseholds, the remainder being freehold.

The value of buildings depreciated was £49,060,000 (2022: £51,150,000). A valuation of trading properties was carried out by Eddisons Incorporating Banks Long & Co., Chartered Surveyors, of 26 Westgate, Lincoln as at 2nd September 2023 which valued all of the Group's trading land and buildings at current fair value in accordance with the RICS Red Book valuation standards at £84,005,000 (2022: £85,015,000). This valuation has been incorporated within the Group Balance Sheet.

**9. Fixed assets – investment properties**

	<b>Land &amp; Buildings</b>		<b>Landlords Fixtures</b>	
	<b>Freehold £'000</b>	<b>Leasehold £'000</b>	<b>£'000</b>	<b>Total £'000</b>
<b>Fair value/original cost</b>				
At September 2022	159,999	1,480	914	162,393
Transfers	(4,793)	-	-	(4,793)
Additions	13,136	5	59	13,200
Disposals	(14,174)	-	(34)	(14,208)
Revaluation	(17,084)	(115)	-	(17,199)
<b>At September 2023</b>	<b>137,084</b>	<b>1,370</b>	<b>939</b>	<b>139,393</b>
<b>Depreciation</b>				
At September 2022	-	-	772	772
Charged in the year	-	-	52	52
Disposals	-	-	(33)	(33)
<b>At September 2023</b>	<b>-</b>	<b>-</b>	<b>791</b>	<b>791</b>
<b>Net book value</b>				
<b>At September 2023</b>	<b>137,084</b>	<b>1,370</b>	<b>148</b>	<b>138,602</b>
At September 2022	159,999	1,480	142	161,621

A valuation of investment properties was carried out by Eddisons Incorporating Banks Long & Co., Chartered Surveyors, 26 Westgate, Lincoln as at 2nd September 2023. The valuation was carried out in accordance with the RICS Red Book valuation standards on a fair value basis. The total historic cost of land and buildings included in notes 8 and 9 is £174,620,000 (2022: £191,808,000).

Additions are included net of capital grants received where development is carried out to a specified standard that results in the costs of development being higher than the market value. During the year the group received capital grants of £1,429,000 which are not required to be repaid.

**10. a) Investments**

	<b>Fixed Assets</b>	
	<b>2023 £'000</b>	<b>2022 £'000</b>
Other investments	<b>290</b>	290
<b>Total investments</b>	<b>290</b>	290
	<b>Other Investments £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>		
At September 2022	290	290
<b>At September 2023</b>	<b>290</b>	<b>290</b>

## 10. b) Subsidiaries

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

- (i) Lincoln Corn Exchange and Markets (1991) Ltd. – Property Investment (100%)
- (ii) Lincoln Co-operative Chemists Ltd. – Retail Chemist Shops (100%)
- (iii) LCS Property Ltd. – Property Holding Company (100%)
- (iv) LCS Retail Ltd. – Post Office Services (100%)
- (v) Gadsby's of Southwell Ltd. – Bakery (100%)
- (vi) Lincoln Science and Innovation Park Ltd. – Science Park Development (75%)
- (vii) South Lincolnshire Crematorium Ltd. – Crematorium (100%)
- (viii) Sedgemill Ltd. – Retail Chemist (Acquired 100% on 1 February 2023)

### Subsidiary audit exemptions

Lincolnshire Co-operative Limited has issued guarantees over the liabilities of the following companies at the year end under Section 479 of Companies Act 2006 ("the Act") and these entities are exempt from the requirements of the Act relating to the audit of Individual Financial Statements by virtue of Section 479A of the Act.

Company name	Company number
LCS Retail Ltd.	03171397
South Lincolnshire Crematorium Ltd.	08091277
LC Funeral Plans Ltd.	14170261

### c) Interest in joint ventures

	2023 £'000	2022 £'000
Balance brought forward	29	149
Share of trading profit	166	-
Share of tax on trading profit	(39)	-
Dividend received	-	(120)
Total balance sheet value	156	29

(i) LC Community Projects Ltd. is a property development company and a joint venture of Lincolnshire Co-operative Limited and Lindum Group Limited. At the year end £327,000 (2022: £327,000) was owed to Lincolnshire Co-operative Limited and £nil (2022: £nil) was owed to Lindum Group Limited, both as interest free loans.

(ii) Lincoln Waterside Centre Ltd. is a property investment company incorporated in the year and a joint venture of Lincolnshire Co-operative Limited and Wykeland Lincoln Holdings Limited. At the year end £4,609,000 was owed to Lincolnshire Co-operative Limited and £4,609,000 was owed to Wykeland Lincoln Holdings Limited. Interest of 5% is being charged on the loans.

## 11. Debtors

	Falling due within one year		Falling due after one year	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade debtors	19,276	17,639	-	-
VAT	452	850	-	-
Deferred tax (note 13)	-	-	664	883
Other debtors and prepayments	5,889	3,170	-	-
Owed by joint ventures	4,936	327	-	-
Corporation tax	851	170	-	-
<b>Total debtors</b>	<b>31,404</b>	<b>22,156</b>	<b>664</b>	<b>883</b>



## 12. a) Creditors

	Falling due within one year		Falling due after one year	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade creditors	30,366	23,056	-	-
Accrued charges and deferred income	13,154	12,829	317	380
Other taxation and social security	1,108	787	-	-
Member benefits and grants	42	79	-	-
Owed to non-controlling interests	-	-	1,066	1,066
	<b>44,670</b>	<b>36,751</b>	<b>1,383</b>	<b>1,446</b>

## b) Dividend

	Falling due within one year		Falling due after one year	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Dividend approved not yet distributed	172	134	-	-
Dividend balances on dividend cards	4,492	4,637	-	-
	<b>4,664</b>	<b>4,771</b>	<b>-</b>	<b>-</b>
<b>Total Creditors</b>	<b>49,334</b>	<b>41,522</b>	<b>1,383</b>	<b>1,446</b>

Included within creditors is an amount of £54,000 (2022: £180,000) held on behalf of Birchwood Big Local as Lincolnshire Co-operative is its Local Trusted Organisation.

The amounts owed to non-controlling interests are due for repayment in November 2027 and attract interest at 5% per annum.

An overdraft facility of £10,000,000 has been approved and available, should it be required, no amounts are drawn down at 2nd September 2023.

## 13. Deferred tax

	Assets 2023 £'000	Liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000
An analysis of the amounts provided is set out below:				
Pension scheme surplus	-	7,735	-	10,364
Accelerated capital allowances	(302)	1,055	(581)	12
Other timing differences	(362)	908	(302)	1,081
<b>Deferred tax (assets)/liabilities</b>	<b>(664)</b>	<b>9,698</b>	<b>(883)</b>	<b>11,457</b>

The deferred tax asset relating to capital losses on property revaluations has not been provided in the accounts as it cannot 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.

**14. Share capital**

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Balance to begin the year	<b>4,567</b>	4,889
Contributions	<b>402</b>	386
Interest	<b>8</b>	10
	<b>4,977</b>	5,285
Withdrawals	<b>(635)</b>	(718)
<b>Balance to end the year</b>	<b>4,342</b>	4,567

i) The whole of the share capital comprises £4,341,956 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.

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.

**15. Non-controlling interests**

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

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Balance to begin the year	<b>(893)</b>	(407)
Share of loss	<b>(134)</b>	(486)
<b>Balance to end the year</b>	<b>(1,027)</b>	(893)

**16. Reconciliation of trading surplus to cash inflow from operating activities**

	<b>2023</b> <b>(52 Weeks)</b> <b>£'000</b>	<b>2022</b> <b>(52 Weeks)</b> <b>£'000</b>
Operating (deficit)/surplus	<b>(7,673)</b>	18,409
Deficit on revaluations of property	<b>20,526</b>	628
Additional pension contribution	<b>(2,719)</b>	(3,081)
Depreciation charges	<b>7,318</b>	6,757
Surplus on sale of fixed assets	<b>(752)</b>	(2,758)
Deficit on sale of fixed asset investments	-	9
Amortisation of goodwill	<b>1,082</b>	1,090
(Increase) in stocks	<b>(1,911)</b>	(1,584)
(Increase)/decrease in debtors	<b>(8,506)</b>	1,566
Increase/(decrease) in creditors	<b>8,190</b>	(8,998)
Payments to and on behalf of members	<b>(3,895)</b>	(3,832)
Tax paid	<b>(556)</b>	(2,636)
<b>Cash inflow from operating activities</b>	<b>11,104</b>	5,570

**17. Analysis of movements in net funds**

	<b>2023 £'000</b>	<b>Cashflow £'000</b>	<b>2022 £'000</b>
Cash at bank and in hand	<b>29,915</b>	<b>2,295</b>	27,620
<b>Net funds</b>	<b>29,915</b>	<b>2,295</b>	27,620

**18. 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 2021 and was updated to 2nd September 2023 by a qualified independent actuary. The scheme was closed to new entrants in December 2012 and to future accrual from 31st December 2020.

**Amounts recognised in the Group Balance Sheet**

	<b>2023 £'000</b>	<b>2022 £'000</b>
Present value of funded obligations	<b>(102,028)</b>	(115,795)
Fair value of plan assets	<b>124,127</b>	145,407
<b>Surplus</b>	<b>22,099</b>	29,612

**Amounts recognised in the Group Revenue Account**

	<b>2023 (52 weeks) £'000</b>	<b>2022 (52 weeks) £'000</b>
Losses on changes	<b>852</b>	-
Interest on obligation	<b>5,140</b>	3,306
Expected return on plan assets	<b>(6,482)</b>	(3,028)
<b>Net (credit)/charge</b>	<b>(490)</b>	278

The (income)/expense is recognised in the following line items in the Group Revenue Account

	<b>2023 (52 weeks) £'000</b>	<b>2022 (52 weeks) £'000</b>
Losses on changes	<b>852</b>	-
Net finance (income)/charges	<b>(1,342)</b>	278
<b>Net (credit)/charge</b>	<b>(490)</b>	278

**Amounts recognised in the Group Statement of Comprehensive Income**

	<b>2023 £'000</b>	<b>2022 £'000</b>
Cumulative amount at beginning of year	<b>15,024</b>	(29,482)
Recognised during the year	<b>10,722</b>	44,506
<b>Cumulative amount at end of year</b>	<b>25,746</b>	15,024

**18. Defined benefit pension scheme (continued)****Changes in the present value of scheme obligations**

	<b>2023 £'000</b>	<b>2022 £'000</b>
Opening obligation	<b>115,795</b>	197,095
Losses on changes	<b>852</b>	-
Interest cost	<b>5,140</b>	3,306
Actuarial gains	<b>(14,706)</b>	(79,628)
Benefits paid	<b>(5,053)</b>	(4,978)
<b>Closing obligation</b>	<b>102,028</b>	115,795

**Changes in the fair value of plan assets**

	<b>2023 £'000</b>	<b>2022 £'000</b>
Opening fair value of scheme assets	<b>145,407</b>	179,398
Expected return	<b>6,482</b>	3,028
Actuarial losses	<b>(25,428)</b>	(35,122)
Contributions by employer	<b>2,719</b>	3,081
Benefits paid	<b>(5,053)</b>	(4,978)
<b>Closing fair value of scheme assets</b>	<b>124,127</b>	145,407

<b>Actual return on scheme assets</b>	<b>(18,946)</b>	(32,094)
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**Assets in the plan as a percentage of total plan assets**

	<b>2023</b>	<b>2022</b>
Bonds	<b>61%</b>	15%
Equities	<b>39%</b>	85%

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.

**Principal actuarial assumptions at the balance sheet date**

	<b>2023</b>	<b>2022</b>
Discount rate	<b>5.4%</b>	4.5%
Rate of increase in salaries	<b>n/a</b>	n/a
Rate of increase in payment of pre 1997 pensions	<b>2.5%*</b>	0.0%
Rate of increase in payment of post 1997 pensions	<b>3.0%</b>	3.1%
Rate of revaluation of deferred pensions	<b>3.2%</b>	3.3%
Inflation assumption - RPI	<b>3.2%</b>	3.3%
Inflation assumption - CPI	<b>2.8%</b>	2.8%

Future contributions of £1,000,000 per annum by the employer have been agreed with the scheme trustees as part of the triennial valuation agreed in December 2022.

\* The trustees and Group have agreed a discretionary pension increase to be provided on pre-97 pensions for 2022, 2023 and 2024 in line with CPI (max 2.5%). Additional contributions have been agreed totalling £1,500,000 as part of the funding of this additional liability. At the year end £1,000,000 of this has been paid.

**18. Defined benefit pension scheme (continued)**

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. No adjustment has been made for any potential effects of Covid 19 and the Society will monitor any impacts and follow actuarial advice. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Current pensioner aged 65:	20.6 years (male)
	22.8 years (female)
Future retiree upon reaching 65:	21.8 years (male)
	24.3 years (female)

**19. 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 £2,578,000 (2022: £2,316,000) were paid by the Group.

**20. Capital commitments**

Outstanding contracts for capital expenditure not provided for in the accounts amounted to £7,339,000 (2022: £10,585,000) and capital expenditure and acquisitions authorised by the Directors for which no contracts have been placed totalled £20,525,000 (2022: £18,846,000).

**21. Commitments under operating leases**

At 2nd September 2023 the Group had commitments payable under non-cancellable operating leases on land and buildings as follows:

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Within one year	<b>473</b>	436
In two to five years	<b>1,312</b>	1,049
Over five years	<b>2,444</b>	2,257
<b>Total commitments</b>	<b>4,229</b>	3,742

These leases are subject to rent reviews.

The Group also had monies receivable under non-cancellable operating lease commitments as follows:

	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
Within one year	<b>9,903</b>	10,169
In two to five years	<b>19,126</b>	20,708
Over five years	<b>12,411</b>	13,866
<b>Total commitments</b>	<b>41,440</b>	44,743



## 22. Financial instruments

The Group's financial instruments are as follows:

	2023 £'000	2022 £'000
<b>Financial assets</b>		
Measured at amortised cost	<u>54,127</u>	<u>45,586</u>
<b>Financial liabilities</b>		
Measured at amortised cost	<u>31,432</u>	<u>24,122</u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors together with amounts owed by joint ventures.

Financial liabilities measured at amortised cost comprise trade creditors, and loans from non-controlling interests.

## 23. Business combinations

### Acquisition of Sedgemill Limited

On the 1 February 2023, Lincolnshire Co-operative Limited acquired 100% of the share capital of the pharmacy business Sedgemill Limited. Sedgemill Limited continued to trade until 31 March 2023 and the trade was transferred to other group companies on 1 April 2023.

The fair value of the consideration paid in relation to the acquisition is as follows:

	£,000
Cash paid	<u>1,469</u>
	<u>1,469</u>

The fair value of the amounts recognised at the acquisition date are as follows:

	£,000
Land and buildings	145
Plant and machinery	5
Stock	38
Debtors	163
Cash at bank and in hand	150
Creditors	<u>(149)</u>
	352
Licences acquired on acquisition (recognised in Lincolnshire Co-operative Limited)	<u>1,117</u>
	<u>1,469</u>

The land and buildings were recognised at a valuation of £145,000 which included a £52,000 fair value adjustment.

	2019	2020	2021	2022	2023
	53 Weeks	52 Weeks	52 Weeks	52 Weeks	52 Weeks
<b>Membership</b>	289,238	289,298	296,264	296,077	<b>292,108</b>
<b>Revenue Account</b>	£'000	£'000	£'000	£'000	<b>£'000</b>
Turnover	296,450	309,250	323,494	339,797	<b>353,942</b>
Gross profit	98,022	99,241	103,667	107,040	<b>113,790</b>
Gross profit %	33%	32%	32%	32%	<b>32%</b>
Members' benefits and grants	2,042	1,117	1,150	1,506	<b>2,137</b>
Trading surplus	15,475	15,510	18,225	16,562	<b>12,101</b>
Trading surplus %	5%	5%	6%	5%	<b>3%</b>
Revaluation of property movement through revenue (loss)	(21,034)	(35,602)	(1,038)	(628)	<b>(20,526)</b>
Dividend paid in the year	4,173	3,813	3,527	3,585	<b>3,780</b>
Dividend paid in the year as % of trading surplus	27%	25%	19%	22%	<b>31%</b>
Transfer to reserve	(12,107)	(38,642)	10,506	11,767	<b>(12,239)</b>
<b>Balance Sheet</b>	£'000	£'000	£'000	£'000	<b>£'000</b>
Total property	275,127	241,519	247,030	246,494	<b>222,459</b>
Total tangible assets	293,443	259,187	263,206	263,710	<b>242,919</b>
Net current assets	12,224	17,476	28,942	22,062	<b>27,485</b>
Pension (liability)/surplus	(28,195)	(44,681)	(17,697)	29,612	<b>22,099</b>
Net assets	283,710	237,664	269,254	310,531	<b>289,634</b>
<b>Capital Expenditure/ Receipts</b>	£'000	£'000	£'000	£'000	<b>£'000</b>
Total fixed assets cashflow (capital spend)	(23,070)	(22,317)	(16,888)	(20,954)	<b>(25,242)</b>
Total fixed assets cashflow capital receipts	3,500	5,273	3,353	18,371	<b>16,294</b>

Dividend paid in the year includes amounts approved or proposed for approval and members funeral benefit.



