

DIRECTORS' REPORT AND FINANCIAL STATEMENTS



For the year to
5TH SEPTEMBER 2020

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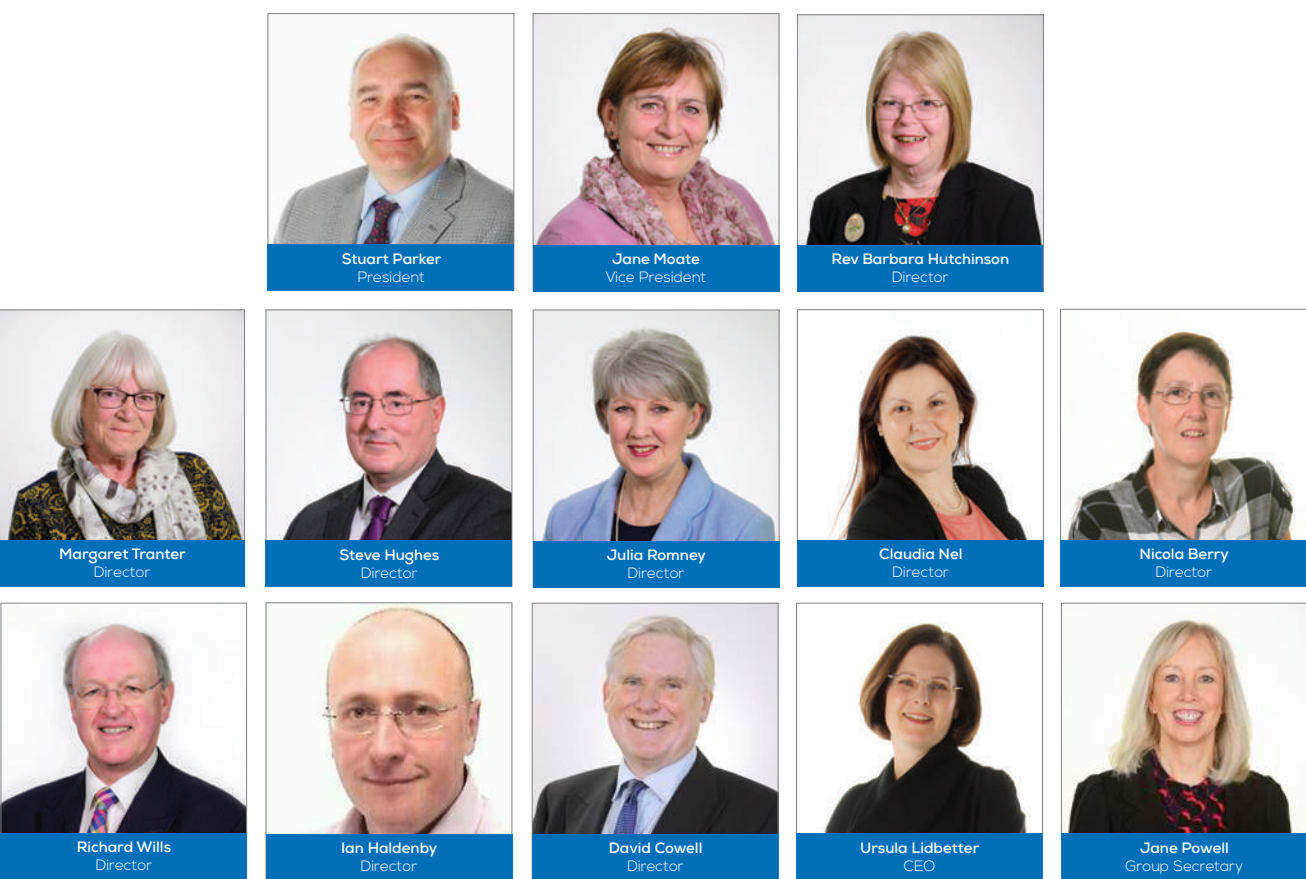
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Directors, Senior Leadership Team and Auditors



Board of Directors

APR	Stuart Parker <i>BSc (Eng)</i> President Chair of Pension Scheme Trustees and Remuneration Committee
G	Jane Moate Vice President
SR	Reverend Barbara Hutchinson Chair of Search Committee
PRS	Margaret Tranter
RGA	Stephen Hughes <i>BPharm(hons), CDir, FloD</i> Chair of Governance Committee
S	Julia Romney
G	Claudia Nel <i>LLB Hons</i>
GS	Nicola Berry <i>FCMI</i>
GAP	Richard Wills <i>BSc, CEng, FICE, MIOd, FRSA</i>
A	Ian Haldenby <i>FCA</i> Chair of Audit Committee
RA	David Cowell <i>BSc(hons), MBA, FCIM, FloD</i>
A	Audit Committee
P	Board Nominated Trustee of the Pension Scheme
R	Remuneration Committee
G	Governance Committee
S	Search Committee

Senior Leadership Team

Ursula Lidbetter <i>OBE, BSc Hons, FCG DL</i> Chief Executive Officer
Jane Powell <i>LLB Hons, MBA, FCG</i> Group Secretary
Marc Brooks <i>BSc Hons, MRPharms</i> Head of Pharmacy
David Dernley <i>Dip.F.D. MBIE.</i> Head of Funeral Services
Laura Dunne <i>BA Hons</i> Head of Marketing and Membership
Mark Finn <i>LLB Hons MBA</i> Chief Retail Officer
Stephen Galjaard <i>BA Hons, FCA</i> Chief Financial Officer
Heather Lee <i>BA Hons, FCIPD, MBA</i> Head of People and Performance
Andrew Turner Head of Group Services

Auditors

KPMG LLP, St Nicholas House, 31 Park Row,
Nottingham, NG1 6FQ

Registered Office

Stanley Bett House, 15/23 Tentercroft St, Lincoln
LN5 7DB 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

A welcome from our President



In a year like no other, we're proud that we were there for our communities.

Our 3,000 determined colleagues - both front line and working in support - kept going to ensure we could continue to operate through the most unprecedented circumstances.

The Board of Directors thanks each and every one of them.

We also worked with other groups and organisations. We listened to what was needed in our communities and reacted, from collaborating and creating support networks to helping local suppliers and businesses.

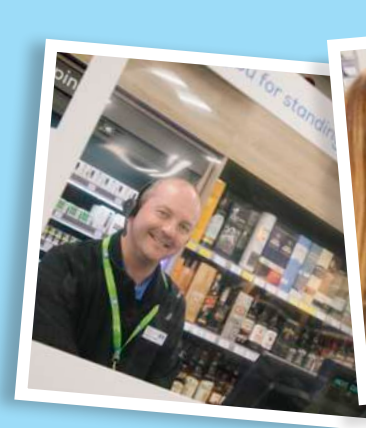
Our diversity as a business has helped us record a solid trading result, despite huge pressures including increased costs, property revaluations and the almost overnight transformation of some industries we work in, such as travel.

There is no doubt that globally, nationally and locally the pandemic's impact will continue to be felt. But we are confident that Lincolnshire Co-op is resilient and will bring together ideas, energy and resources to help us all build back better.

A final thank you from the Board goes to you, our members and customers.

Thank you for your kind words and gestures of support for our colleagues and for your understanding during these tough times.

Stuart Parker - President





...providing and supporting valued services

During April and May – the height of lockdown – we were able to keep our trading outlets open and serving you.

Colleagues from other areas of the business (*above centre*) were redeployed into our HR team, food stores, pharmacies and our pharmacy warehouse. Staff from post offices were often found helping at food stores if they shared a site. We also recruited **276 new people** in just two weeks to boost our workforce and keep services running. **139 colleagues** are still with us.

In funerals, our colleagues adapted to the 'new normal', which saw them support clients over the phone and online, guiding them through restrictions which limited the type of ceremony they could have. Maintaining customer satisfaction levels of over **99 per cent** during this period illustrates what the team achieved.

Our crematorium in Surfleet offered live streaming of services for free and **179 families** were able to benefit from this.

"Through this desperately difficult time the caring attitude was apparent from the receptionist to the funeral director and every staff member inbetween."

The collapse of Thomas Cook in September demonstrated our travel team's ability to support clients, getting them back home and reclaiming money for disrupted plans.

Coronavirus hit the global travel industry hard and – working remotely initially – our branch colleagues were able to repatriate **48 people** who were stranded overseas when lockdown began. They also helped **14,783 passengers** reorganise or cancel their breaks.

Our teams are available in branches and offer the same independent advice they always have, with ABTA and ATOL backing. The travel industry will continue to face pressures for some time, but we believe when the market looks up, we'll be ideally placed. We expect people will want the security of booking with a trusted agent who can step in if things don't go to plan.

"The excitement of bookings turned into a quest to change arrangements for holidays that could not happen. With the emphasis on 'stopping' instead of 'going', the service remained first-class."

We paid a double colleague bonus, equivalent of an **extra week's wages** in March and again in November. Every one of our **3,000 team members** was given a £25 Colleague Award to recognise their outstanding efforts during the pandemic too.

To support colleagues, we operated a **help centre** which ran seven days a week. We've offered a one-to-one phone counselling service, as well as workplace coaching, and almost **100 colleagues** have benefitted from these services.

During the early stages of lockdown, people came together in their communities.

We worked with the Lincolnshire Resilience Forum to identify **110 community groups and voluntary organisations** (*above right*) in our area. We linked each group to one of our outlets and volunteers were given passes so they could access essential groceries and pick up prescriptions for those isolating. In some places, we even connected volunteers together so they could form a support network.

We also set up a scheme which let people isolating buy vouchers over the phone so volunteers could pay for their shopping on their behalf.



...helping to grow the local economy

Our Love Local suppliers stepped up when food shortages hit, keeping our shelves stocked with essentials like meat, fish, cheese, bread and eggs.

When hospitality venues shut, many producers lost vital income. We took on extra products to help, including butter bound for farmers' markets and crisps poised to be sent to pubs.

Sales of the range are up **23 per cent** this year, worth **£4.6m** to the local economy.

Our own bakery **Gadsby's**, (*above*) based in Southwell, has seen substantial investment in new production machinery to make processes even more efficient. During the early stages of the pandemic, the whole team pulled together to support our food stores.

"We lost 80 to 90 per cent of our income. The best thing to do is look at it as challenge and get stuck in. Thank you for having us in stores, it's the income we've been relying upon."

The bakery's transport team helped distribute PPE and sanitiser and undertook extra delivery runs. The office dealt with increased orders and colleagues in production simplified the range to keep up. In just one day the team produced and delivered **7,500 loaves** and **125,000 individual rolls** – a mammoth effort.

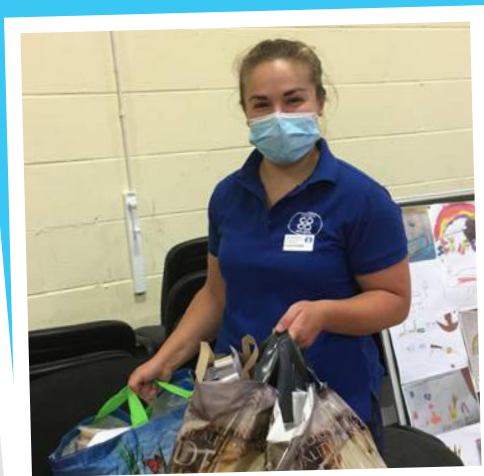
Our capital programme continued this year and we opened new food stores in Sturton by Stow, Springfield Road in Grantham (*top inset*) and Clipstone, near Mansfield (*bottom inset*), as well as a chiropody branch in Lincoln.

We also relocated our Gainsborough post office and travel and Grimsby travel branch to new homes and our city centre pharmacy to a new location on Sincil Street in Lincoln.

In total, we spent **£14m** with contractors from our area, building and maintaining our services and boosting the **local economy**.

There are **600 commercial tenants** in our properties and we've been talking to them throughout the pandemic. Charities, community tenants and local tenants who were badly affected by lockdown – for example, those who legally weren't allowed to trade – were given a **rent-free period**.

We've offered lots of different levels of help to other tenants including discounts, deferrals and payment plans, as well as marketing, training and support with social distancing measures.



...caring for our health and wellbeing

All our retail outlets, warehouse, bakery and offices are Covid-19 Secure Workplaces and we've invested significantly in infrastructure (*above left*) to keep our customers and colleagues safe – over £468,000 so far.

We've operated a Society-wide approach to the pandemic with a Coronavirus Response Team meeting regularly and a Health and Safety Forum, sourcing views and ideas from representatives of all our different business areas.

We have permanent till screens and cleaning stations in our outlets. Signage, floor graphics and point-of-sale throughout reiterate safety messages such as the requirement to wear face coverings, keeping distance and the limited number of customers allowed in.

Our pharmacies care for your **health and wellbeing**. We've kept our home delivery prescription service free-of-charge for those in need. Demand for this has shot up this year with **over 18,500 deliveries** in April alone.

Our teams carried out **1,050 health checks, 1,296 blood pressure checks and more than 5,200 medicine reviews**, even though social distancing meant we couldn't provide such services in the latter part of the year.

We also saw a **1.3 per cent** increase in the number of prescriptions we dispensed, a total of **5.8m** items. Our pharmacy teams are an integral part of the NHS and continue to support local hospitals, NHS Trusts and GPs surgeries with their expertise.

In lockdown, our Community team worked with local schools to ensure they could get free school meal vouchers into the hands of families who needed them. We wanted to play our part to make sure children were getting their five-a-day, so we ran our **free fruit scheme** for junior members during the summer holidays, giving out **20,319** pieces of fruit on top of the **25,835** distributed in January.

INVESTORS IN PEOPLE™ – We invest in people Platinum

We were named as one of the country's top employers when we achieved Investors in People Platinum status. IIP praised the career progression opportunities and the reward and recognition schemes we offer our colleagues.

Platinum is the highest level and is a title held by under 150 employers internationally – just two per cent of IIP-accredited organisations. A rigorous assessment took place in spring, including a survey with more than 2,100 staff and interviews with over 100 colleagues.

The assessors said: "You understand the return on investment in the time and resource allocated to your people. Your colleagues feel they can improve if they want to and have opportunities for progression."

We've piloted a new scheme this year which sees **Community Co-ordinators** (*above right*) employed to focus on making connections in their local area. **Food poverty** is a growing issue and during the summer, the Co-ordinators we have in post undertook a lot of work with local food banks and community larders.

Examples included supporting Boston Food Bank with toiletries to help clients be presentable for job interviews and organising a donation of shelving for Newark Food Bank. Our Property team also arranged temporary emergency accommodation for food banks in Heckington and Collingham.

We're going to continue working with food banks and community larders over the next year and have plans for a fundraising and awareness campaign in December.

Lincolnshire Co-op Food Store

Welcome

OPENS 7AM
THURSDAY 25TH
JUNE

OPENS 7AM
THURSDAY 25TH
JUNE

OPENS 7AM
THURSDAY 25TH
JUNE

...looking after our local environment

We want to make life better in our communities. As well as the services we provide, we want our physical presence to enhance the areas where we trade.

Our food store in Tattershall (*photo above*) reopened in June after a major refurbishment, which had seen it shut for almost six months.

The £1.5m scheme saw a traditional-style wooden shopfront created to complement the historic Market Place, mirroring how the building would have appeared in the 1920s.

We turned a redundant dairy site in Pinchbeck into **9 houses** (*below*) in a joint venture with local builders Lindum.



Our Cornhill Quarter scheme (*top right*) in Lincoln continued this year with new outlets and services opening including Everyman cinema, The Botanist bar and restaurant and clothing brands Phase Eight, Hobbs and Whistles.

We also saw the completion of Exchange Square – the public space in the middle of the development – which is proving a popular place to sit and rest, eat lunch or just enjoy the spectacular restored street scene. We've taken on feedback from local environmental groups and are planning to introduce more greenery to the area.

We now have nine sites with charging points for electric vehicles and these have delivered electricity to power over **230,000 miles**.

Our Co-op buying group is committed to making all own-brand packaging easy to recycle by 2023. In December last year, the group announced it would stop using black plastic packaging in own-brand goods. Black plastic can't be recycled because it doesn't reflect light and can't be sorted by optical scanners.

Reuse for rewards

Customers who use our Costa Express machines are being encouraged to make a greener choice on the coffee run – they're rewarded with 25p extra dividend when they bring a reusable cup.

We launched the scheme in March in a bid to help the environment by reducing single-use cup waste and litter. We had to pause it for a time due to the pandemic but now it's back up and running and so far, we've saved **3,970 cups**.



Our electricity is green – a mix of wind and water power – and range of other eco measures feature in our food stores, such as fridge doors that reduce energy consumption by around **25%**. Some food stores also have a CO2 refrigeration system which has a lower global-warming impact compared to those using traditional chemical gases.

We went one further at our store in Sturton by Stow and incorporated an environmentally-friendly sedum roof, covered with vegetation which absorbs rain.



Our Community Champions scheme raised **£468,256** for **315 charities and good causes** this year.

These included 16 animal sanctuaries and a host of smaller local community groups.

Lockdown saw demand for mental health and domestic violence services rise so **over £99,058** of the total will go towards 11 groups tackling those issues.

We also put **helpline numbers** on receipts and on posters in stores in a bid to reach people in need.

EDAN Lincs offers support across the county to those

exposed to domestic abuse by providing safe, emergency accommodation, and advice via an Outreach Support Service. It received over £35,000.

Keeping it local



We introduced **seven** new suppliers to our **Love Local** range.



£4m of dividend was redeemed by members.

Developing people

We were named a **Responsible Business Champion 2020** by Business in the Community.

The honour was for our Get into Retail scheme, run alongside The Prince's Trust, which aims to get young people into employment.

Social distancing means we've had to deliver training in a different way, making use of our online iLearn system.

Over **35,100** courses were completed this way during the year.



We have

68

mental health first aiders in our workplaces.



Working in our communities



497 NEW MEMBERS

joined our community libraries in Waddington, Spilsby and Holbeach.



Together, we raised over

£17,000 for local **NHS charities**

with a virtual quiz, rainbow-themed dress up days and a 'donate your dividend' campaign.

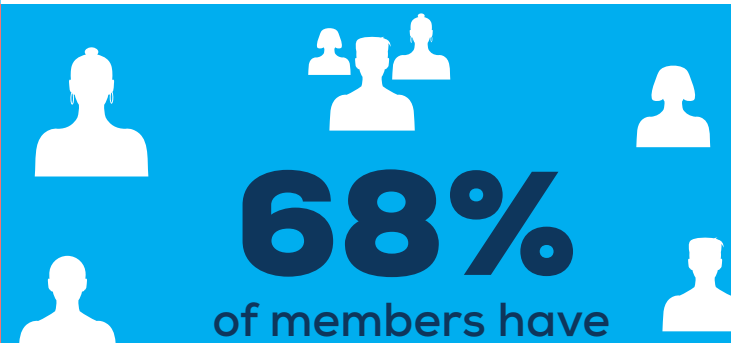
Growing a community of members

17,026
new members
joined this year.

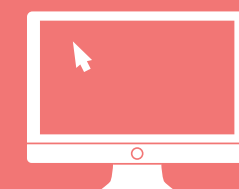


The largest proportion of new members are in the 20 to 29 age group.

68%
of members have traded with us this year.



2,775
members



log in to our website each month to check their dividend balance, claim dividend and get exclusive offers from local businesses.

Building strength for the long term

Work is ongoing at two **new food store** sites in Whittlesey, just over the Cambridgeshire border, and Keelby in North Lincolnshire.



Both will open in 2021.

We're taking part in the government's Kickstart programme,



giving over **30 young people** employability skills, paid work experience and training.

The effect of the pandemic on our business has been profound. Sales were £336m, down £11m, but with a week less trading as last year had 53 weeks.

While food store sales were up by £20.9m or 10%, travel booking cancellations meant sales were down by £28.3m.

Post office income dropped by 7.1% as services such as currency and travel insurance were not needed. Parcel business however saw an increase. Petrol volume was down by 8.2% as people stayed at home.

Funeral services income rose 2.9% as we conducted more funerals but at a lower average price as we were unable to provide some of our normal services. Pharmacy income was up by 3.7% assisted by some extra funding provided by government. Property income fell by 11% partly due to the extra week's income last year and also as we gave



concessions to tenants and provided for potential non-payment of rents.

Our trading surplus reflected the changed pattern of trade with the collapse of holiday sales offset by the unprecedented demand in our food stores. Government grants offset the extra costs of Covid-19 trading conditions and supported closed outlets and increased costs of working. Our trading surplus was £15.5m, in line with last year, reflecting the great work by our colleagues and the support of our customers.

Keeping the economy going and creating jobs is vital at this time and we have continued with our capital investment programme, including new stores, relocations and further investment in Cornhill Quarter in Lincoln. Capital expenditure was £21.9m, funded by trading cashflow of £16.4m and disposal of investment properties no longer



required which generated £5.3m. The cash balance at the year end was £19.5m which together with increased banking facilities secured since the year end of £30m will enable us to continue our investment in new outlets and the local economy, despite the uncertain climate.

Dividend to our members was £3.84m, down £0.3m on last year principally due to the lack of sales in travel. A dividend bonus of 85p, in line with last year and reflecting our steady performance, is proposed.

Two significant items affect our group revenue account. Property valuations are carried out annually and this year there is considerable uncertainty about future prospects for the economy in general and the effect of changing shopping habits on retail locations and any permanent shift to home working on the office market in particular. This has created a significant shift in values resulting in a deficit on revaluation of our properties of £35.6m. The valuation of our investment properties was £160.7m and our trading properties £81m at the year end.

We are closing our defined benefit pension scheme to future accrual at the end of December and this creates a higher pension expectation for those in the scheme, resulting in an extra cost to the scheme on curtailment of £14.1m. From January 2021 our defined contribution (Honeypot) pension scheme will match employee contributions with up to 12% employer contribution.

Both the property revaluation and the pension scheme closure are shown in the group revenue account leaving a deficit for the year of £38.6m. Excluding those items there would be a surplus of £8.4m compared to £8.9m last year.



The Society's net assets ended the year at £237.8m.

Our strong balance sheet and consistent trading performance gives us the resilience to continue to invest and to support communities through difficult times.



Colleagues and Pensioners

The following colleagues have received awards for:-
25 years' service

Sylvia Larratt, Customer Services Assistant
Holbeach Food Store

Matt Wilkinson, Store Development Manager
Leadership Team

Caroline Bowness, Office Supervisor
Lincoln Cash Office

Claire Moore, Checking Technician
Market Street Pharmacy, Gainsborough

Debbie Staff, Branch Manager
Spalding Funeral Services

Julia Salmon, Customer Services Assistant
Market Rasen Food Store

Julie Sharpe, Customer Services Assistant
Parklands Food Store, Lincoln

Christine Newton, Customer Services Assistant
Market Rasen Food Store

Timothy Laycock, Relief Pharmacist
Relief Pharmacists

Vivi Telfer, Relief Pharmacist
Relief Pharmacists

Tracey Swaby, Customer Services Assistant
Holbeach Food Store

Susan Quibell, Team Leader
Heapham Road Food Store, Gainsborough

Di Gallon, Pharmacy Training Manager
Leadership Team

Marc Brooks, Head of Pharmacy
Leadership Team

Hazel Sisson, Administration Assistant
Pharmacy Warehouse

Clare Burford, Checking Technician
Washingborough Pharmacy

Julie Critchley, Post Office Manager
Lowfield Post Office, Lincoln

Wayne Dennett, Travel & Post Office Group Manager
Leadership Team

Teresa Duke, Checking Technician
Bransholme Pharmacy, Hull

Claire Smith, Travel Branch Manager
Carlton Centre Travel, Lincoln

Sam Turner, Community Manager
Leadership Team

Cheryl Tibbs, Food Safety Advisor
Health & Safety, Lincoln

Yvonne Payne, Dispensing Assistant
Birchwood Pharmacy, Lincoln

40 years' service

Stephen Johnson, Food Store Manager
Woodhall Drive Food Store, Lincoln

Hazel Oglesbee, Dispensing Technician
Parkside Pharmacy, Boston

We record our thanks to Alastair Farquhar and to David Maltby for their service to the Society.

Alastair has stood down as our Head of Pharmacy and Superintendent having led our pharmacy business with diligence and skill for 16 years. He was instrumental in the creation of the University's of Lincoln's School of Pharmacy and in expanding the reach and depth of our health and wellbeing outreach.

David Maltby has retired from the Board at the end of his nine year term. David's business experience and thoughtful approach have been much valued.

Obituaries

We are sad to report the death of our colleagues

Lorraine Semmens, aged 56, Customer Services Assistant,
Woodhall Drive Food Store

Wendy Bird, aged 57, Customer Services Assistant,
Messingham Food Store

Pamela Durrans-Smith, aged 64, Customer Services
Assistant, Collingham Food Store

Bryn Hutchinson, aged 18, Customer Services Assistant,
Birchwood Food Store

We also pay tribute to pensioners who have passed away

Bernard Barratt, aged 89, Lincoln Dairy

Malcolm Cowie, aged 81, Wrights Motor Group

Claude Nichols, aged 86, Food Distribution Centre

Douglas Walker, aged 71, Lincoln Dairy

Nigel Woods, aged 70, Lincoln Dairy

Terrance Fisher, aged 83, Pinchbeck Dairy

Joan Griffiths, aged 76, Spilsby Pharmacy

George Kirkby, aged 95, Moorland Avenue Food Store

George Luckraft, aged 98, TV Workshop

Carlton Dennis, aged 82, Transport

Acknowledgement

The directors extend their thanks and appreciation to all colleagues. This year many colleagues have supported communities as key workers and others have performed vital roles and the board are grateful to them all. Thanks are also extended to the many members who have supported our communities, colleagues and businesses through these unusual times.

For and on behalf of the Board,

Stuart Parker, President

Jane Moate, Vice President

Ursula Lidbetter, Chief Executive Officer

Jane Powell, Group Secretary

Supplier Payment Policy

It is Society policy to agree the terms of payment as part of the commercial arrangements negotiated with suppliers and then pay according to those terms based on the receipt of an accurate invoice. Trade creditor days for the year to 5 September 2020 were 18 days against 24 last year.

Statement under the Modern Slavery Act 2015

Our purpose

Our purpose is "Bringing together ideas, energy and resources to make life better in our communities." Our approach to challenging and preventing Modern Slavery reflects this, working in partnership with others to make life better in our communities. We take a zero-tolerance approach to Modern Slavery in any form and are committed to acting ethically, transparently and with integrity in all our business operations.

Our Policies & Procedures

We have reporting mechanisms for our colleagues to enable them to raise any concerns regarding Modern Slavery, and our relationship with The Safer Lincolnshire Partnership continues to develop. The Partnership were keen to have a participant from the retail/business sector represented, working with attendees from local authorities and police. As the Partnership recommenced following the relaxation of lock-down, we have subsequently participated in their virtual meetings where representatives of the Gangmasters & Labour Abuse Authority updated us on actual instances of Modern Slavery within Lincolnshire, such as Holbeach and Lincoln.

As part of this group, we have signed-up to participate in the Safer Lincolnshire Partnership's Charter against Modern Slavery, which commits local organisations to proactively take steps internally to tackle this issue. We have done and continue to be pro-active in this area, including training our colleagues in Modern Slavery awareness, and having measures in place to report any suspected cases of Modern Slavery.

Training & Raising Awareness

We recognised Modern Slavery Day through our internal communication channels on 18th October 2019 to maintain awareness within our business of Modern Slavery, and did the same in 2020. We will also be supporting the Safer Lincolnshire Partnership by sharing their campaign for Anti-Slavery on our social media channels.

The relationship established with Lincolnshire Police's Modern Slavery Team has been maintained to share best practice and information. We attended the Lincolnshire Modern Slavery Event hosted by Lincolnshire's Police & Crime Commissioner in October 2019. During the

conference we received an overview of the state of Modern Slavery in Lincolnshire from Lincolnshire Police, and Stronger Together delivered a presentation on Modern Slavery in supply chains. During this conference, the Society were commended for the work we have done in relation to Modern Slavery through our internal and external e-learning.

In July this Year we supported the Farm Work Welfare App, developed by the Clewer Initiative <https://www.theclewerinitiative.org> who are working alongside the National Crime Agency, Gangmasters & Labour Abuse Authority and Safer Lincolnshire to develop Lincolnshire-specific resources to raise awareness of Modern Slavery. The app is a new tool to help support rural employers, promote workforce welfare and tackle rural labour exploitation and Modern Slavery. As a business, we have endorsed the app along with a number of other local businesses, which provides workers with a free resource for advice, guidance and a safe reporting mechanism.

Towards the end of last year, we met with the Wilberforce Institute in Hull looking at how we can work together on Modern Slavery. At the time we met, we took the opportunity to share some of the work we had done as a business around Modern Slavery and received positive feedback on this.

All bank checks are performed by the Society for all new colleagues starting with us, providing a second resource for identifying suspicious bank accounts which could be an indicator of Modern Slavery activity.

Even during this challenging period for our suppliers, a further 16 external companies have completed the Modern Slavery I-Learn module, with 94% of them stating that they would recommend it to other businesses, and 72% rating it as 'very good' or 'excellent'. This takes the total of companies who have now completed our Modern Slavery I-Learn to 150 (153 individuals/employees).

"Excellent course"

"Since taking this course we will be discussing Modern Slavery with many of our own suppliers."

Statement under the Modern Slavery Act 2015
continued

Additional Steps

Going forward into 2021, we are now developing a refresher Modern Slavery programme for all our colleagues to grow in knowledge and understanding. This will build on the Modern Slavery e-learning programme undertaken by our colleagues in 2018.

We take a zero-tolerance approach to Modern Slavery in any form and are committed to acting ethically, transparently and with integrity in all our business operations.

Approval for this statement

This statement was approved by the Board of Directors on 17 November 2020

Signed

Stuart Parker, President

Governance

As a Registered Society under the Co-operative and Community Benefit Societies Act 2014, Lincolnshire Co-operative Ltd is not subject to the provisions of the UK Corporate Governance Code*. However, Co-operatives UK (which is the representative body for co-operatives in the UK) has issued a code for co-operatives – The Co-operative Corporate Governance Code. This code is tailored to registered societies. A copy of the Code is available from the Group Secretary or can be found on the Co-operatives UK website (‘the Code’) <https://www.uk.coop/resources/co-operative-corporate-governance-code>

The Board has responsibility to outline how the Society has complied with the principles of the Code and to explain any instances of non-compliance. This report covers the period between September 2019 and August 2020.

Society structure

Co-operatives are member led and democratically controlled organisations. The board is committed to improving member participation and the principles of member democratic control.

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

Names of Directors	Board	Audit Committee	Remuneration Committee	Search Committee	Governance Committee
David Maltby	10 (11)	4 (4)	3 (3)	3 (3)	2 (3)
Steve Hughes	15 (15)	6 (6)	4 (4)		4 (4)
Reverend Barbara Hutchinson	12 (15)		3 (3)	5 (5)	
Stuart Parker	13 (15)	6 (6)	4 (4)	3 (4)	4 (4)
Julia Romney	15 (15)			5 (5)	1 (1)
Ian Haldenby	6 (6)	2 (2)			
Margaret Tranter	14 (15)	4 (4)	4 (4)	2 (2)	4 (4)
Jane Moate	13 (15)				1 (1)
Claudia Nel	14 (15)				5 (5)
David Cowell	6 (6)	2 (2)	1 (1)		
Richard Wills	15 (15)	5 (6)			1 (1)
Nicola Berry	13 (15)			2 (2)	1 (1)

() possible attendance

* The UK Corporate Governance Code published in July 2018 by the Financial Reporting Council.

A programme of continuing development and training is in place for the board and sub-committees. Training took place in October 2019 on mental health awareness. Directors have also undertaken individual development programmes and activities.

Due to the impact of coronavirus on the proposed elections for 2020, it was agreed that in light of the effect on colleagues and the community of holding elections in stores, it was in the best interests of the Society to cancel the Board of Director elections planned for 2020.

Therefore the Board agreed to co-opt Richard Wills, Steve Hughes and Jane Moate and appoint David Cowell all for a period of one year.

In June 2020 Stuart Parker was elected as President of the Society and Jane Moate as Vice President. During the year David Maltby retired. We thank him for his service to the Society.

15 meetings of the Board were held during the year.

Each individual director’s attendance is set out in the table below:-

The Board

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

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

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

The board has delegated the management of the Society’s activities to the Chief Executive and her Leadership Team. The members of the Senior Leadership Team are identified at the start of this report. To comply with the Code we are required to report any outside directorships held by them.

The Chief Executive Officer, Ursula Lidbetter is a director of Investors in Lincoln Ltd, Federal Retail and Trading Services Ltd. She is also a member of the Council of the University of Hull and chairs Lincoln City Centre Partnership t/a Lincoln Business Improvement Group and was Chair of Greater Lincolnshire LEP Ltd until December 2019.

The Group Secretary, Jane Powell is a trustee of the John Robert Halkes Settlement and the Lincoln Diocesan Trust and Board of Finance Ltd.

Andrew Turner is a trustee of Horncastle Education Trust and a LCC Firefighter (RDS)

Stephen Galjaard is a director of East Midlands Community-led Housing CIC, and Investors In Lincoln Ltd

Heather Lee is a director of Beewise Credit Union, Co-operative Employers’ Association Ltd and Blue Symmetry Ltd and Governor of Boston College

David Dernley is a director of the Lincolnshire Centre for Grief and Loss.

Laura Dunne is a director of Visit Lincoln CIC, a trustee of Rhubarb Theatre and a member of the Co-operative Group Members’ Council.

Marc Brooks is the Vice Chairman of Community Pharmacy Lincolnshire

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

Board balance and independence

All directors are non-executive and hold the following

occupations:-

Stuart Parker	<i>Engineer</i>
Jane Moate	<i>Retired Banker</i>
Rev Barbara Hutchinson	<i>Hospital Chaplain</i>
Margaret Tranter	<i>Retired</i>
Julia Romney	<i>Security Investigator</i>
Stephen Hughes	<i>Retired Pharmacist</i>
Claudia Nel	<i>Solicitor and Data Protection Officer</i>
Nicola Berry	<i>Proofreader</i>
Richard Wills	<i>Company Director and Trustee</i>
Ian Haldenby	<i>Group Financial Controller</i>
David Cowell	<i>Director</i>
David Maltby	<i>Retired Company Director</i>

Some directors hold positions on group or subsidiary companies, those directorships are not listed here and information can be found in the relevant company accounts. Details of directorships of other entities are set out.

Stephen Hughes is a member of the Co-operative Group Members’ Council and the Retail Consumer Council of Co-operatives Uk

The Reverend Barbara Hutchinson and **Claudia Nel** are directors of the Lincolnshire Centre for Grief and Loss

Margaret Tranter, **Stephen Hughes** and **Julia Romney** are directors of Lincolnshire CDA Ltd.

Margaret Tranter is a director of Beewise Credit Union.

David Cowell is non-executive director of Lincoln Diocesan Board of Finance Ltd and Trustee of the Bishop’s Council of Trustees

The Reverend Barbara Hutchinson is an Associate Priest – Elloe Stones Parishes

Ian Haldenby is on the Audit Committee for Lincolnshire Police and Crime Commissioner and Lincolnshire County Council

Stuart Parker is area secretary for the Ramblers’ Association Lincolnshire Area and Chair, Lincolnshire Wolds AONB Joint Advisory Committee

Claudia Nel is a director of The William Alvey School Trust and also on the Kesteven and Sleaford High School Governing Body.

Richard Wills is chair of Transport Connect Ltd and a trustee of Reepham Methodist Church, the Methodist Council, the Methodist Conference and JR Halkes Trust.

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

The President

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

Governance Committee

The board has established a governance committee to focus on continuing improvement of the Society’s governance

processes. During the year it has reviewed the board’s approach to communication with members, the Society’s membership, a Board diversity policy, the Board handbook and committee Terms of Reference. A Board performance evaluation was conducted by Round Governance.

Search Committee

The search committee is responsible for the systems and processes in place to ensure that candidates for election meet the board’s competency requirements and for recommending candidates for election and appointment to the board. During the year the committee undertook a recruitment campaign for the appointment of a director with financial experience culminating in the appointment of Ian Haldenby during the year.

Audit Committee

The Audit Committee currently comprises three elected directors (who are not employees of the Society) and two appointed directors. The chair of the committee is Ian Haldenby. The committee is scheduled to meet at least four times a year. Its written terms of reference are regularly reviewed by the board of directors and include:-

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

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

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

The committee have reviewed the systems of internal control and does not consider that any weaknesses have come to light that have resulted in material losses or contingencies which require disclosure. Members are referred to the Internal Audit Assurance Statement below.

Internal control framework

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

Risk management

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

Control environment

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

Control activities

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

Whistleblowing

A documented whistleblowing policy is in place and communicated to employees. To complement this, an anti-fraud policy is in place and a dedicated confidential reporting phone line and email address established. These policies are reviewed by the Audit Committee.

Monitoring

Internal audit services are outsourced to Streets Internal Audit and this ensures that resources are concentrated in the areas where they are most required. The use of an external service provider for this role gives flexibility and an independent view. An annual report of the activities of the internal audit service has been produced for the year 2019/20.

- Membership – This achieved substantial assurance, with no high priority recommendations.
- Funeral Services Income Systems - This was given substantial assurance with no high level recommendations.
- CCTV requests - This was given reasonable assurance with no high level recommendations.
- Gender Pay Gap Reporting - This audit was given substantial assurance.
- Simplification Update
- Health and Safety follow up – Found that 7 of the 12 agreed actions had been implement with 5 outstanding (4 medium and 1 low risk finding).
- Transport Follow up - Found that 6 of the 12 agreed actions had been implement with 4 medium outstanding and 2 no longer applicable.

There has been a review of the business area risk registers.

The internal auditor’s overall assurance statement is set out on page 20.

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

Brexit

Our food buying group, Federal and Retail Trading Services Ltd, is preparing for the end of the Brexit transition period. Provision is being made for increased stock where prudent and planning has been undertaken to prepare for various possible scenarios.

Remuneration Report

In Pharmacy we keep stock in our distribution facility. The Government is also making provision to ensure continuity of supply.

We have been raising all colleagues' awareness of the EU Settlement scheme and supporting them where appropriate. We have also undertaken training in this area to help our Recruitment Team be ready for the future.

Coronavirus

Our response to the coronavirus pandemic has been led throughout the business by a management group. The Coronavirus Response Team. Regular updates have been provided to the board of directors.

Compliance Statement

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

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

The Code requires the board to draft a statement explaining the democratic structure of the Co-op and to develop communications that clearly define the role of members in that structure. The board tells members about the structure and democratic nature of the Society in a number of different ways including in its annual report and accounts, member magazines, in the Our Year publication and via social media.

Member Value (Code Principle 2 Co-operative Leadership and Purpose Provision2)

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 as the board tells members about the value it generates in a number of different ways including through member magazines, email, the website and social media.

Remuneration of the Board and Executive Leadership

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

Audit Committee (Code Principle 5 – Risk, Financial Management and Internal Controls - Principle1)

Until the appointment of Ian Haldenby FCA as a director the audit committee met without satisfying itself that at least one member had recent and relevant financial experience. During the year the board appointed Ian to chair the committee and fulfil this requirement.

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

Stuart Parker, *President*

Ursula Lidbetter, *Chief Executive Officer*

Jane Powell, *Group Secretary*

Introduction

The Remuneration Committee is pleased to present its report to members for the year ended 5 September 2020.

The Committee's primary role is to provide strong independent governance for executive remuneration to ensure that pay for the Chief Executive and Secretary supports the Society's purpose and approach and is consistent with our remuneration principles and policy.

In April 2020 the Society published its third gender pay gap report. This can be found on the Society's website.

www.lincolnshire-coop/Gender-Pay-Gap

Directors

The members approve the directors' fees. Members last considered directors fees at the Society's half yearly meeting on 9 June 2018, 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 present flat rate fees are:-

President	£9,198.10
Vice-President	£7,607.45
Directors	£6,915.87

All members of the remuneration and audit committees receive an additional sum of £372.39 per committee and the chairs of each of these committees also receive a further increment of £106.39 for each committee

Directors also receive mileage allowances for using their own cars, reimbursement of public transport fares and reasonable actual expenditure for meals and hotels.

For the year ended 5 September 2020 individual directors' total gross remuneration (including expenses) was:-

Stephen Hughes	£9,019.88
Rev Barbara Hutchinson	£9,635.24
David Maltby	£6,194.32
Stuart Parker	£8,179.05
Margaret Tranter	£8,050.96
Jane Moate	£7,194.55
Julia Romney	£7,006.90
Claudia Nel	£6,853.00
Nicola Berry	£7,135.60
Richard Wills	£7,221.95
David Cowell <i>(in post for part of the year)</i>	£2,817.52
Ian Haldenby <i>(in post for part of the year)</i>	£2,814.46

Executives

The remuneration packages of the Chief Executive and the Group Secretary are determined by the board on the recommendation of the Remuneration Committee in accordance with remuneration principles and policy agreed by the board and set out in this report. Their remuneration is not set out in this report, but note 4 of the

financial statements sets out the information required to comply with accounting standard FRS 102.

The Chief Executive and the Group Secretary under the arrangements outlined in this report, do not play any part in the consideration or determination of their own remuneration package.

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

Stuart Parker (Chair)
Margaret Tranter
Rev Barbara Hutchinson
Stephen Hughes
David Maltby (for part of the year)
David Cowell (for part of the year)
The Group Secretary is Secretary to the Remuneration

Our remuneration principles

What are the Society's executive remuneration principles?

Working in our community

- To align remuneration with the long-term interests of the Society.
- To ensure remuneration reflects performance and rewards behaviours which are aligned with the Society's purpose whilst avoiding paying more than is necessary.
- To set remuneration at a level sufficient to attract and retain talented individuals with the necessary experience for key leadership roles, but without paying more than is necessary.

Growing a community of members

- To ensure our remuneration policy is easily understood by key stakeholders.
- To consider member views when developing policy.

Executives' remuneration policy

What are the key elements of Executives' remuneration?

Element	Purpose and link to strategy	Operation	Maximum
Base salary	To pay a fair base salary which reflects the individual's role, responsibilities and experience. Sufficient level to recruit and retain individuals of the necessary calibre, taking into account the required skills, experience, and complexity of the role.	Salaries are normally reviewed annually, with any changes effective on 1st December. Salaries are set taking account of market benchmarks based on other retailers of a similar size, other Co-operatives and appropriate general industry benchmarks. Salary reviews also take into consideration an individual's performance, responsibility levels and internal relativities.	Annual increases will generally take account of the collectively bargained (USDAW) levels of increase. Increases may be higher in exceptional circumstances, such as a change in role and/or responsibility, or where, for example, an individual has been appointed below benchmark, with a view to increases as they develop in role.
Benefits	To provide benefits taking account of market practice, and to support the wellbeing of employees..	The main benefits currently provided are company car, life insurance, health assessment, private medical insurance and colleague discount. Relocation assistance may be required, where necessary.	Benefit values are not fixed, but are generally set taking account of affordability constraints, and represent a small percentage of total remuneration costs.
Pension	To provide pension allowances on similar terms to other colleagues. Provides a discrete element of the package to contribute to retirement income.	Executives participate in the Society's pension arrangements on the same terms as all colleagues. Cash allowances of appropriate value may be provided in lieu of pension where an individual is subject to HMRC limits on pension tax relief.	The Society operates a defined contribution scheme, and a defined benefit scheme, which is closed to new joiners. The maximum employer contribution to the defined contribution scheme is currently 10% of base salary.
Annual bonus	Recognises good and outstanding performance, linked to the Society's strategy.	Incentive awards are considered annually with performance measured over one year. Any bonus awarded is non-pensionable. Performance criteria comprise a combination of financial and non-financial criteria which support the Society's strategy purpose, and values. Awards are subject to clawback provisions. Executives are also entitled to participate in the all colleague bonus.	The maximum opportunity is defined by the Remuneration Committee each year following advice.

Committee but is excluded from any part of any meeting where her own remuneration is under consideration.

The Remuneration Committee obtains advice from external professional advisers. Co-operatives UK have advised, using industry data worldwide through their partnership with Hay Group. This year the committee has also been advised by Alvarez and Marsal.

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

The Board has reviewed the terms of reference of the committee during the year and a copy is available from the Group Secretary and on the Society's website here

www.lincolnshire.coop/board

Helpful, inspiring and trustworthy

- To operate simple and clear remuneration structures across the organisation.
- The executive remuneration policy will be published on the Society's website and in its annual directors' report.

Developing people

- To ensure that remuneration practices are consistent with and encourage the principles of equality, inclusion and diversity.
- To consider wider employee pay when determining that of our Executives.
- To ensure colleagues share in the success of the Society.

Building strength for the long-term

- To provide a balanced package which aligns with the Society's strategic goals.
- To ensure remuneration levels are set with regard to the size and complexity of the business.
- To set performance criteria which support the long-term success of the Society.

Additional Detail

What provisions does the committee have to manage risk?

Recoupment provisions (clawback) apply to the annual bonus which allow the Society to reclaim amounts that have been paid in the event of a material misstatement of the Society's accounts, an error in the calculation of performance conditions, or serious misconduct by the individual.

What is the policy for the appointment and recruitment of executives?

On appointment, the Committee would set the remuneration package in line with the policy, base salary and total remuneration will be set with reference to the individual's role responsibilities and experience while having due regard to market benchmarks.

For a new appointment base salary may be set below the market benchmark range with a view to increases as the individual develops in the role and once expertise and performance has been proved and sustained. In such situations the committee retains the discretion to award above market increases (ie above Usdaw and/or inflation) over a period of time.

Benefits are provided in line with those offered to other members of the executive taking into account local market practice. Relocation expenses may be provided if necessary. Annual bonus opportunity will normally be no higher than that offered under current policy for existing members of the Executive.

When recruiting executives externally the committee may replace deferred remuneration awards forfeited on leaving their previous employer. However in doing so it will endeavor to ensure that the terms of any such award are on a similar basis in value of any replacement awards the time period over which they are earned and where applicable any performance conditions.

Stuart Parker, Chair

Independent auditor's report to Lincolnshire Co-operative Limited

Opinion

We have audited the financial statements of Lincolnshire Co-operative Limited for the period ended 5 September 2020 which comprise the Group Revenue Account, Group Statement of Comprehensive Income, Group Balance Sheet, Group Cash Flow Statements, Group Statement of Changes in Funds Employed and related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of the Group's affairs as at 5 September 2020 and of the income and expenditure of the Group for the period then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or to cease its operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, and analysed how those risks might affect the group's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

Other information

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

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

In addition to our audit of the financial statements, the directors have engaged us to review whether their Corporate Governance Statement on pages 15 to 18 reflects the Society's compliance with provisions 43 and 123 to 152 of Co-operatives UK Limited's Corporate Governance Code for Consumer Co-operative Societies issued in November 2013 ('the Code'). We have nothing to report in this respect.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As more fully explained in their statement set out on page 20 the Society's directors are responsible for the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the Society in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and, in respect of the reporting on corporate governance, on terms that have been agreed. Our audit work has been undertaken so that we might state to the Society those matters we are required to state to it in an auditor's report and, in respect of the reporting on corporate governance, those matters we have agreed to state to it in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society for our audit work, for this report, or for the opinions we have formed.

Gareth Woods (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

Dated:

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 pages 30 to 42 are signed on behalf of the Board of Directors pursuant to the Co-operative and Community Benefit Societies Act 2014.

Stuart Parker	President
Jane Moate	Vice President
Jane Powell	Group Secretary

Internal Auditors' Overall Assurance Statement

In March 2020 internal audit work was paused due to the Coronavirus pandemic, as such there is not the range or depth of work undertaken on which to base an assurance opinion. We are consequently only able to report on the outcomes of that work completed.

Overall assurance

For the year 2019/20, we completed three assurance reviews, one with a limited opinion and two with substantial. In addition, we completed seven follow-up reviews of previous assignments demonstrating a positive direction of travel. We are unable to provide an overall level of assurance due to the significantly reduced audit activity.

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

Streets Internal Audit

Statement of Accounting Policies

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 5 September 2020, the net assets of the Society were £237,664,000 and net current assets were £17,476,000, the Group had no bank debt, trading surplus before revaluation of property and pension charges remains robust and the Society has adequate resources to continue in operational existence for the foreseeable future.

Subsequent to the year end, the Society has increased its available bank facilities from £10,000,000 to £30,000,000. Given the current economic uncertainties, this provides the Society with additional reassurance such that it can continue with its growth plans.

The directors have prepared detailed cashflow forecasts for the period ended March 2022, 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 a reasonably plausible downside scenario which reflects the potential impacts of COVID-19 on the business, including no anticipated revenue from the travel business for the first 26 week period of year ending September 2021, a reduction in funeral numbers and a reduction in income relating to property debts. The severe but 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 as follows:

Wholly Owned:-

LCS Retail Ltd.
Lincoln Shop Equipment Ltd.
LCS Property Ltd.
Lincoln Corn Exchange & Markets (1991) Ltd.
Greetwell Developments Ltd.

Basis of consolidation (continued)

Gadsby's of Southwell Ltd.
South Lincolnshire Crematorium Ltd.
52 weeks to 5th September 2020

Lincoln Co-operative Chemists Ltd.
12 months to 31st August 2020

Majority Owned:-

Lincoln Science and Innovation Park Ltd.
12 months to 31st August 2020

Joint Venture:-

LC Community Projects Ltd.
12 months to 31st August 2020

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.

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.

Gross sales

Gross sales includes cash sales, NHS income, post office income and property rental income, inclusive of value added tax. Sales are recognised at the point the goods or services are provided. Rental income, net of any lease incentive, is recognised over the lease term.

Gross sales also includes amounts recognised in respect of sales made on an agency basis, principally relating to travel sales, with a reduction to the value of commission receivable shown separately in arriving at turnover. Travel sales are recognised at the point of a holiday booking with a reduction to allow for future cancellations.

Tangible fixed assets and depreciation

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

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

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

Assets leased to the group

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

Taxation

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

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

Stocks

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

Repairs

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

Dividend and dividend bonus

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

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

Cash and liquid resources

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

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

Investments

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

Debtors

Debtors are measured at amortised cost less any impairment.

Creditors

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

Funeral plans

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

Funeral benefits

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

Pension costs

Defined Benefit Scheme

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

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

Defined Contribution Scheme

Following the closure of the defined benefit scheme to new entrants, the Society 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.

Government Grants

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

Group Revenue Account

Year Ended 5th September 2020

Gross sales (including vat)

Less: value added tax

Turnover (including agency turnover)

Less: agency share of turnover (net of cancellation provisions)

Turnover

Less: cost of sales

Gross profit

Less: expenses – ordinary trading

Other operating income

Less: expenses – member benefits and grants

Trading surplus

Deficit on sale of fixed assets

Deficit on revaluation of property

Operating deficit

Group share of surplus in joint ventures

Losses on curtailments of pension benefits

Net finance charges

Deficit for the year before payments to and on behalf of members

Less: payments to and on behalf of members

Deficit for the year before taxation

Taxation

Deficit for the year

Attributed to:

Non-controlling interests

Transferred from reserves

Additional Non Statutory Disclosure

Revaluation of property

Losses on curtailment of pension benefits (net of tax)

Surplus for the year before revaluation of property and pension charges

The accounting policies on pages 23 to 24 and the notes on pages 30 to 42 form part of these accounts

Notes

		2020 (52 weeks) £'000	2019 (53 weeks) £'000
		335,599	347,010
		(28,850)	(27,577)
		306,749	319,433
		2,501	(22,983)
		309,250	296,450
		(210,009)	(198,428)
		99,241	98,022
		(83,710)	(80,505)
		1,096	-
		16,627	17,517
		(1,117)	(2,042)
		15,510	15,475
		(377)	-
		(35,602)	(21,034)
		(20,469)	(5,559)
		104	-
		(14,066)	-
		(733)	(295)
		(35,164)	(5,854)
		(3,813)	(4,173)
		(38,977)	(10,027)
		335	(2,080)
		(38,642)	(12,107)
		(838)	44
		(37,804)	(12,151)
		(38,642)	(12,107)
		35,602	21,034
		11,393	-
		8,353	8,927

Group Statement of Comprehensive Income

Year Ended 5th September 2020

	2020 (52 Weeks) £'000	2019 (53 Weeks) £'000
Retained deficit for the year	(38,642)	(12,107)
Unrealised deficit on revaluation of trading properties	(5,112)	(1,401)
Share Interest	(11)	(13)
Current tax on share interest	2	2
Actuarial loss on pension scheme	(3,100)	(13,880)
Deferred tax on actuarial loss	1,154	2,401
Total comprehensive deficit for the year	(45,709)	(24,998)
Attributable to:		
Non-controlling interests	(838)	44
Transferred from reserves	(44,871)	(25,042)
	(45,709)	(24,998)

The accounting policies on pages 23 to 24 and the notes on pages 30 to 42 form part of these accounts

Group Balance Sheet

As at 5th September 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	8	8,369	9,397
Tangible assets	9	98,457	101,839
Investment properties	10	160,730	191,604
Investments	11	43,157	39,717
Share of joint venture	11	97	13
		310,810	342,570
Current assets			
Stocks - goods for resale		11,607	10,682
Debtors			
- amounts falling due within one year	12	23,945	19,389
- amounts falling due after more than one year	12	9,227	5,571
Investments	11	3,000	3,000
Cash at bank and in hand		19,514	20,471
		67,293	59,113
Creditors: amounts due within one year			
Creditors	13	44,957	42,262
Dividend	13	4,860	4,627
		49,817	46,889
Net current assets		17,476	12,224
Total assets less current liabilities		328,286	354,794
Creditors: amounts falling due after more than one year	13	(44,904)	(41,879)
Provision for liabilities	14	(1,037)	(1,010)
Net assets excluding pension liability		282,345	311,905
Pension liability	20	(44,681)	(28,195)
Net assets		237,664	283,710
Financed by:			
Share capital	15	5,592	6,235
Revaluation reserve		55,154	46,302
Revenue reserve		177,380	231,103
Members' funds		238,126	283,640
Non-controlling interests	16	(462)	70
Total funds employed		237,664	283,710

The accounting policies on pages 23 to 24 and the notes on pages 30 to 42 form part of these accounts

Group Cash Flow Statement

Year ended 5th September 2020

	Notes	2020 (52 weeks) £'000	2020 (53 weeks) £'000
Net cash flow from operating activities	17	16,412	14,669
Cash flow from investing activities			
Sale of tangible fixed assets		5,273	3,415
Sale of fixed asset investments		-	85
Interest received		66	161
Interest paid		(54)	(56)
Purchase of tangible fixed assets		(21,886)	(21,386)
Purchase of fixed asset investments		(390)	(1,684)
Acquisition of a business		(41)	-
		(17,032)	(19,465)
Cash flow from financing activities			
Issue of shares	15	370	761
Redemption of shares	15	(1,013)	(1,530)
Issue of shares to non-controlling Interests		306	-
		(337)	(769)
Net decrease in cash		(957)	(5,565)
Cash at start of the year		20,471	26,036
Cash at end of the year		19,514	20,471

The accounting policies on pages 23 to 24 and the notes on pages 30 to 42 form part of these accounts

Group Statement of Changes in Funds Employed

	Share Capital	Revaluation Reserve	Revenue Reserve	Members' Funds	Non- controlling Interests	Total Funds
	£'000	£'000	£'000	£'000	£'000	£'000
At September 2018	7,004	55,048	247,399	309,451	26	309,477
(Deficit)/surplus	-	-	(12,151)	(12,151)	44	(12,107)
Other comprehensive gains	-	(1,401)	(11,490)	(12,891)	-	(12,891)
Transfer on disposal of properties	-	(1,451)	1,451	-	-	-
Transfer between reserves	-	(5,894)	5,894	-	-	-
Total comprehensive income	-	(8,746)	(16,296)	(25,042)	44	(24,998)
Share capital contributions	748	-	-	748	-	748
Share capital withdrawals	(1,530)	-	-	(1,530)	-	(1,530)
Share interest	13	-	-	13	-	13
Transactions with members	(769)	-	-	(769)	-	(769)
At September 2019	6,235	46,302	231,103	283,640	70	283,710
Deficit	-	-	(37,804)	(37,804)	(838)	(38,642)
Other comprehensive losses	-	(5,112)	(1,955)	(7,067)	-	(7,067)
Transfer on disposal of properties	-	(612)	612	-	-	-
Transfer between reserves	-	14,576	(14,576)	-	-	-
Total comprehensive income	-	8,852	(53,723)	(44,871)	(838)	(45,709)
Share capital contributions	359	-	-	359	306	665
Share capital withdrawals	(1,013)	-	-	(1,013)	-	(1,013)
Share interest	11	-	-	11	-	11
Transactions with members	(643)	-	-	(643)	306	(337)
At September 2020	5,592	55,154	177,380	238,126	(462)	237,664

Notes to the Financial Statements

1. Segmental analysis

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

	2020 (52 Weeks) £'000	2019 (53 Weeks) £'000
Turnover (including agency turnover)		
Retail	294,841	306,045
Investment property	11,908	13,388
Total	306,749	319,433
Gross profit		
Retail	87,333	84,634
Investment property	11,908	13,388
	99,241	98,022
Common costs	(83,731)	(82,547)
Trading surplus	15,510	15,475
Net assets		
Retail	73,884	90,708
Investment property	163,780	193,002
Total	237,664	283,710

2. Expenses – ordinary trading

	2020 (52 Weeks) £'000	2019 (53 Weeks) £'000
Personnel costs	52,390	49,341
Property rents	792	749
Other occupancy costs	8,735	9,869
Hire of plant – operating leases	39	40
Depreciation	6,920	6,917
Deficit on sale of fixed assets	28	41
Deficit/(Surplus) on fixed asset investments	10	(35)
Amortisation of intangible fixed assets	1,069	1,158
Auditors' remuneration:		
- Audit of these financial statements - current year	42	40
- Audit of these financial statements - prior year	7	-
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	55	52
- Other services including taxation advice	2	2
Directors' fees	80	72
Other expenses	13,541	12,259
Total expenses – ordinary trading	83,710	80,505

Notes to the Financial Statements

3. Other operating Income

	2020 (52 Weeks) £'000	2019 (53 Weeks) £'000
Government grants	1,096	-

4. Employees

The average number employed by the Group in the year ended 7th September 2019.

	2020 Number	2019 Number
Part-time	1,746	1,689
Full-time	1,125	1,116
	2,871	2,805

The costs incurred in respect of these employees were:

	2020 (52 Weeks) £'000	2019 (53 Weeks) £'000
Wages and salaries	45,652	43,921
Social security costs	2,941	2,771
Other pension costs	3,797	2,649
Total personnel costs	52,390	49,341

Included in total personnel costs is an amount of £2,289,000 (2019 £2,199,000) relating to the senior leadership team. Please see pages 16 and 17 for further detail of how the remuneration of directors and the senior leadership team is determined.

5. Net finance charges

a) Interest receivable

	2020 (52 Weeks) £'000	2019 (53 Weeks) £'000
Funeral plans	3,059	550
Unlisted investments	13	13
Expected return on pension scheme assets	2,600	3,487
Other interest	53	148
	5,725	4,198

b) Interest payable

	2020 (52 Weeks) £'000	2019 (53 Weeks) £'000
Funeral plans	3,059	550
Interest cost on pension scheme obligations	3,345	3,887
Loan from non-controlling interest	54	53
Other interest	-	3
	6,458	4,493
Net finance charges	733	295

Notes to the Financial Statements

6. a) Expenses – member benefits and grants

	2020 (52 weeks) £'000	2019 (53 Weeks) £'000
Donations to charity and community groups	353	352
Forfeits on shares	(432)	-
Member and community activities	1,196	1,690
	<u>1,117</u>	<u>2,042</u>
b) Payments to and on behalf of members		
Dividend	2,074	2,237
Release of prior year provisions	(200)	-
Further dividend approved by members	1,902	1,898
	<u>3,776</u>	<u>4,135</u>
Funeral benefit	37	38
Total	<u>3,813</u>	<u>4,173</u>

Dividend of £2,074,000 (2019: £2,237,000) has been accounted for during the year. Member purchases qualifying for such distribution are determined by the Board of Directors, from time to time, as is the rate of distribution. A recommendation to allocate a further £1,763,000 (2019: £1,902,000) was made after the balance sheet date making a total of £3,837,000 (2019: £4,139,000). This equated to a dividend bonus of 85p (2019: 85p) for every £1 of qualifying dividend distributed 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.

7. Taxation

a) Analysis of tax charge in year

Current tax

UK corporation tax at 19% (2019: 19%) on deficit for the year	2,260	2,032
Overprovision in prior years	(47)	(83)
Current tax charge for the year	<u>2,213</u>	<u>1,949</u>

Deferred tax

Taxation on pension adjustments	(2,543)	394
Excess of capital allowances over depreciation	(5)	(263)
Deferred charges for the year	<u>(2,548)</u>	<u>131</u>

Taxation provided in the Group Revenue Account

	<u>(335)</u>	<u>2,080</u>
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Other comprehensive income items

Tax on share interest	(2)	(2)
Deferred tax on pension scheme	(1,186)	(2,401)
	<u>(1,188)</u>	<u>(2,403)</u>

Notes to the Financial Statements

b) Factors affecting tax charge for the year

	2020 (52 weeks) £'000	2019 (53 weeks) £'000
Deficit before taxation	<u>(38,977)</u>	<u>(10,027)</u>
Deficit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	<u>(7,406)</u>	<u>(1,905)</u>
Effects of:		
Revaluation of property	6,764	3,996
Other permanent differences between items affecting tax and accounting surplus	354	72
Overprovision in prior years	(47)	(83)
Taxation provided in the Group Revenue Account	<u>(335)</u>	<u>2,080</u>

The standard rate of corporation tax in the UK is expected to continue at 19%.

8. Intangible fixed assets

Cost

At September 2019	6,976	18,786	25,762
Additions	41	-	41
Disposals	(35)	-	(35)
At September 2020	<u>6,982</u>	<u>18,786</u>	<u>25,768</u>

Amortisation

At September 2019	5,784	10,581	16,365
Charged in the year	161	908	1,069
Eliminated on disposal	(35)	-	(35)
At September 2020	<u>5,910</u>	<u>11,489</u>	<u>17,399</u>

Net book value

At September 2020	<u>1,072</u>	<u>7,297</u>	<u>8,369</u>
At September 2019	1,192	8,205	9,397

Notes to the Financial Statements

9. Tangible fixed assets – trading

	Land & Buildings £'000	Fixtures Fittings & Plant £'000	Transport £'000	Total £'000
Fair value/original cost				
At September 2019	83,662	53,196	6,123	142,981
Transfer from investment properties	675	-	-	675
Additions	4,687	4,772	697	10,156
Disposals	(3)	(4,481)	(1,201)	(5,685)
Revaluation	(7,976)	-	-	(7,976)
At September 2020	81,045	53,487	5,619	140,151
Depreciation				
At September 2019	-	37,450	3,692	41,142
Charged in the year	1,039	5,213	608	6,860
Disposals	-	(4,433)	(836)	(5,269)
Revaluation	(1,039)	-	-	(1,039)
At September 2020	-	38,230	3,464	41,694
Net Book Value				
At September 2020	81,045	15,257	2,155	98,457
At September 2019	83,662	15,746	2,431	101,839

The value of land and buildings includes £1,811,000 (2019: £1,146,000) of leaseholds, the remainder being freehold.

The value of Buildings depreciated was £51,950,000 (2019: £50,500,000). A valuation of trading properties was carried out by Banks, Long & Co., Chartered Surveyors, of 26 Westgate, Lincoln as at 5th September 2020 which valued all of the Group's trading land and buildings at current fair value at £81,045,000 (2019: £83,662,000). This valuation has been incorporated within the Group Balance Sheet.

Notes to the Financial Statements

10. Fixed assets – investment properties

	Land and Buildings		Landlords Fixtures £'000	Total £'000
	Freehold £'000	Leasehold £'000		
Fair value/original cost				
At September 2019	190,030	1,435	725	192,190
Transfers	(610)	(65)	-	(675)
Additions	8,722	-	177	8,899
Disposals	(5,262)	-	-	(5,262)
Revaluation	(33,771)	(5)	-	(33,776)
At September 2020	159,109	1,365	902	161,376
Depreciation				
At September 2019	-	-	586	586
Charged in the year	-	-	60	60
At September 2020	-	-	646	646
Net Book Value				
At September 2020	159,109	1,365	256	160,730
At September 2019	190,030	1,435	139	191,604

A valuation of investment properties was carried out by Banks, Long & Co., Chartered Surveyors, 26 Westgate, Lincoln as at 5th September 2020. The valuation was carried out in accordance with RICS valuation standards on a fair value basis. Given the impact of COVID19 the valuations are provided on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. The historic cost of land and buildings included in notes 9 and 10 is £186,365,000 (2019: £228,825,000).

11. a) Investments

	Fixed Assets		Current Assets	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Other investments	293	293	-	-
Funeral plans	42,864	39,424	3,000	3,000
Totals investments	43,157	39,717	3,000	3,000
			Funeral Plans £'000	Other Investments £'000
Cost or valuation				Total £'000
At September 2019		42,424	293	42,717
Additions		3,366	10	3,376
Plans redeemed		(2,985)	-	(2,985)
Change in fair value		3,059	(10)	3,049
At September 2020		45,864	293	46,157

Funeral plans

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

Notes to the Financial Statements

11. b) Subsidiaries

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

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

c) Joint Venture

LC Community Projects Ltd (50%) - Property Development

	2020 £'000	2019 £'000
Balance brought forward	13	13
Share of trading profit	104	-
Share of tax on trading profit	(20)	-
Total balance sheet value	97	13

12. Debtors

	Falling due within one year		Falling due after one year	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade debtors	14,844	12,954	-	-
VAT	1,668	1,619	-	-
Deferred tax	568	495	9,227	5,571
Other debtors and prepayments	6,233	3,309	-	-
Owed by joint venture	632	1,012	-	-
Total debtors	23,945	19,389	9,227	5,571

13. a) Creditors

	Falling due within one year		Falling due after one year	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade creditors	17,273	24,550	-	-
Accrued charges and deferred income	22,819	12,090	704	900
Other taxation and social security	747	724	-	-
Member benefits and grants	171	162	100	100
Corporation tax	947	1,736	-	-
Funeral plans	3,000	3,000	43,037	39,816
Owed to non-controlling interests	-	-	1,063	1,063
	44,957	42,262	44,904	41,879

Notes to the Financial Statements

13. b) Dividend

	Falling due within one year		Falling due after one year	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Dividend approved not yet distributed	319	548	-	-
Dividend balances on dividend cards	4,541	4,079	-	-
	4,860	4,627	-	-
Total Creditors	49,817	46,889	44,904	41,879

Included within creditors is an amount of £98,000 (2019: £110,000) 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.

14. Deferred tax

	Assets 2020 £'000	Liabilities 2020 £'000	Assets 2019 £'000	Liabilities 2019 £'000
An analysis of the amounts provided is set out below:				
Pension scheme deficit	(8,490)	-	(4,793)	-
Accelerated capital allowances	(909)	-	(833)	-
Other timing differences	(396)	1,037	(440)	1,010
Deferred tax (assets)/liabilities	(9,795)	1,037	(6,066)	1,010

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

15. Share capital

	2020 £'000	2019 £'000
Balance to begin the year	6,235	7,004
Contributions	359	748
Interest	11	13
	6,605	7,765
Withdrawals	(1,013)	(1,530)
Balance to end the year	5,592	6,235

- i) The whole of the share capital comprises £5,591,752 non-equity shares of £1 attracting interest at the rate of 0.25% on balances of £20 or more.
- ii) Shares are withdrawable on periods of notice from demand to two weeks depending on the amount.
- iii) Every member who has been a member of the Society for not less than six months and holds a minimum of one share is entitled to one vote.

Notes to the Financial Statements

15. Share capital (continued)

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

16. Non-controlling interests

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

	2020 £'000	2019 £'000
Balance to begin the year	70	26
Share of loss	(838)	44
Issue of share capital	306	-
Balance to end the year	(462)	70

17. Reconciliation of trading surplus to cash inflow from operating activities

	2020 (52 weeks) £'000	2019 (53 weeks) £'000
Operating deficit	(20,469)	(5,559)
Deficit on revaluations of property	35,602	21,034
Non cash pension costs	1,479	347
Additional pension contribution	(2,904)	(2,821)
Depreciation charges	6,920	6,917
Deficit on sale of fixed assets	405	41
Deficit/(Surplus) on fixed asset investments	10	(35)
Amortisation of goodwill	1,069	1,158
Increase in stocks	(926)	(853)
Increase in debtors	(4,483)	(985)
Increase in creditors	6,280	1,966
Payments to and on behalf of members	(3,591)	(4,061)
Tax paid	(2,980)	(2,480)
Cash inflow from operating activities	16,412	14,669

18. Analysis of movements in net funds

	2020 £'000	Cashflow £'000	2019 £'000
Cash and cash equivalents			
Cash at bank and in hand	19,514	(957)	20,471

19. Acquisitions

During the year the Group acquired the goodwill of one business for £41,000.

Notes to the Financial Statements

20. 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 2018 and was updated to 5th September 2020 by a qualified independent actuary. The scheme was closed to new entrants in December 2012.

On 25th September 2019 members of the scheme approved the closure of the scheme to future accrual from 31st December 2020.

Amounts recognised in the Group Balance Sheet

	2020 £'000	2019 £'000
Present value of funded obligations	(189,684)	(172,478)
Fair value of plan assets	145,003	144,283
Deficit	(44,681)	(28,195)

Amounts recognised in the Group Revenue Account

	2020 (52 weeks) £'000	2019 (53 weeks) £'000
Current service cost	2,637	1,697
Interest on obligation	3,345	3,887
Expected return on plan assets	(2,600)	(3,487)
Loss on curtailments	14,066	-
Total	17,448	2,097

The expense is recognised in the following line items in the Group Revenue Account

	2020 (52 weeks) £'000	2019 (53 weeks) £'000
Expenses – Ordinary Trading	2,637	1,697
Other finance expense	745	400
Loss on curtailments	14,066	-
Total	17,448	2,097

Amounts recognised in the Group Statement of Comprehensive Income

	2020 £'000	2019 £'000
Cumulative amount at beginning of year	(51,651)	(37,771)
Recognised during the year	(3,100)	(13,880)
Cumulative amount at end of year	(54,751)	(51,651)

Changes in the present value of scheme obligations

	2020 £'000	2019 £'000
Opening obligation	172,478	147,793
Service cost	2,637	1,697
Interest cost	3,345	3,887
Employees contributions	783	921
Actuarial losses	104	22,227
Benefits paid	(3,729)	(4,047)
Losses on curtailments	14,066	-
Closing obligation	189,684	172,478

Notes to the Financial Statements

20. Defined benefit pension scheme (continued)

Changes in the fair value of plan assets

	2020 £'000	2019 £'000
Opening fair value of scheme assets	144,283	131,404
Expected return	2,600	3,487
Actuarial (losses)/gains	(2,996)	8,347
Contributions by employer	4,062	4,171
Contributions by employees	783	921
Benefits paid	(3,729)	(4,047)
	<u>145,003</u>	<u>144,283</u>
Actual return on scheme assets	(396)	11,834

Assets in the plan as a percentage of total plan assets

	2020	2019
Bonds	24%	27%
Equities	73%	71%
Other	3%	2%

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

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

Principal actuarial assumptions at the balance sheet date	2020	2019
Discount rate	1.7%	1.8%
Rate of increase in salaries	2.5%	2.5%
Rate of increase in payment of pre 1997 pension	0.0%	0.0%
Rate of increase in payment of post 1997 Pensions	2.8%	3.0%
Rate of revaluation of deferred pensions	2.9%	3.1%
Inflation assumption - RPI	2.9%	3.1%

The employer expects to contribute at 14.7% of pensionable payroll through to the closure of the scheme to future accrual at 31st December 2020. In addition, it is to contribute £2,993,000 increasing by 3% per annum to the scheme towards the deficit.

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

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

Notes to the Financial Statements

21. 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 £1,158,000 (2019: £1,004,000) were paid by the Group.

22. Capital commitments

Outstanding contracts for capital expenditure not provided for in the accounts amounted to £3,675,000 (2019: £8,399,000) and capital expenditure and acquisitions authorised by the Directors for which no contracts have been placed totalled £37,540,000 (2019: £41,619,000).

23. Commitments under operating leases

At 5th September 2020 the Group had commitments under non-cancellable operating leases on land and buildings as follows:

	2020 £'000	2019 £'000
Within one year	553	544
In two to five years	1,634	1,694
Over five years	2,795	2,927
Total commitments	<u>4,982</u>	<u>5,165</u>

These leases are subject to rent reviews.

24. 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 20.

Critical accounting judgements:

Property valuation

Land and buildings are revalued each year by an external Chartered Surveyor. Valuations require the use of estimates that incorporate market conditions which given the impact of COVID19, the valuations are provided on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. These estimates will include such matters as rental tone, market yields, disposal values and void periods.

Goodwill impairment

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

Notes to the Financial Statements

25. Financial instruments

The Group's financial instruments are as follows:

	2020 £'000	2019 £'000
Financial assets		
Measured at fair value	45,864	42,424
Measured at amortised cost	34,990	34,437
Financial liabilities		
Measured at fair value	46,037	42,816
Measured at amortised cost	18,336	25,613

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

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 fair value relate to funeral plan obligations.

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

Historical Comparative Statement

	2016 52 Weeks	2017 52 Weeks	2018 52 Weeks	2019 53 Weeks	2020 52 Weeks
Membership	259,771	286,661	285,813	289,238	289,298
Revenue Account	£'000	£'000	£'000	£'000	£'000
Gross Sales	301,176	311,655	328,585	347,010	335,599
Depreciation	5,490	5,874	6,214	6,917	6,920
Trading Surplus	20,025	16,030	17,662	15,475	15,510
Members' Benefits	1,150	1,515	1,463	2,042	1,117
Dividend	3,512	4,128	4,166	4,177	3,874
Transfer to reserve	11,274	18,229	(2,352)	(12,107)	(38,643)

Balance Sheet

Intangible Assets	13,366	12,061	10,555	9,397	8,369
Total Tangible Assets	286,074	296,955	302,926	293,443	259,187
Total Fixed Investments	26,525	32,924	38,146	39,730	43,254
Net Current Assets	32,637	20,899	14,518	12,224	17,476
Long Term Creditors	(27,593)	(34,026)	(40,279)	(42,889)	(45,941)
Net Assets Before Pension	331,009	328,813	325,866	311,905	282,345
Pension Liability	(61,506)	(27,689)	(16,389)	(28,195)	(44,681)
Net Assets	269,503	301,124	309,477	283,710	237,664
Share Capital	7,945	7,072	7,004	6,235	5,592
Reserves	261,489	294,027	302,447	277,405	232,534
Minority Interest	69	25	26	70	(462)

Dividend includes amounts proposed for approval at members funeral benefit.

Agenda of the Annual Members' Meeting

1. To confirm the minutes of the Annual Members' Meeting held in November 2019
2. To receive the Directors' Report, Auditor's Report and Financial Statements.
3. To receive an update from the board on dividend distributions.
4. To agree that the basic rate of issue of dividend continue at the rate of 1%, as recommended by the board, and to authorise it to determine the rate of any additional dividend paid.
5. To ratify the appointment of Ian Haldenby a director appointed under Rule 62 (b).
6. To ratify the appointment of David Cowell a director appointed under Rule 62 (b).
7. To approve the appointment of the external auditors of the Society from the conclusion of the meeting until the conclusion of the next annual members' meeting at which the accounts are laid. The remuneration is to be fixed by the Directors.
8. That clause 5.2 of the trust deed dated 25 April 1996 (as amended by a deed of appointment dated 9th January 1998 and by supplemental deeds dated 27th April 2000 and 24th June 2003) (the Trust Deed) made between (1) the Security Trustee (as defined in the Trust Deed) and (2) the Society be amended by the deletion of the existing clause 5.2 and the insertion of a new clause 5.2, which shall read:

"5.2 The Security Trustee shall not be obliged to exercise any discretion or power which may be exercised or any determination which may be made provided that the Security Trustee shall be so obliged to act as directed by a simple majority of the Security Beneficiaries¹ who, being entitled to vote, do so, provided that that the Security Trustee is indemnified to its reasonable satisfaction."

¹ The Security Beneficiaries are the members of the Society.

9. Subject to the passing of Resolution 8 above, the Security Beneficiaries hereby direct the Security Trustee (as defined in the Trust Deed) as follows:
 - a. to release the Guarantee dated 24 April 1996 entered between (1) LCS Property Limited (LCSPL) and (2) the Security Trustee (as defined therein) by a deed of release in a form reasonably approved by the Security Trustee and executed by LCSPL and the Security Trustee or such other means as reasonably approved by the Security Trustee;
 - b. to release all forms of security granted by LCSPL in favour of the Security Trustee including the legal mortgage dated 24th April 1996 and made between LCSPL (1) and the Security Trustee (2) over the land and buildings comprising the Moorland Centre, Moorland Way, Lincoln

comprised in title number LL16166 being property comprised in a transfer relating, inter alia, thereto made between (1) The Lincoln Co-operative Society Limited and (2) LCS Property Limited and dated 1st September 1995, and that such release documents be filed at the Financial Conduct Authority and HM Land Registry and wherever else required; and

c. to terminate the Trust Deed and the trusts therein contained by deed of termination in a form reasonably approved by the Security Trustee and executed by the Society and the Security Trustee or such other means as reasonably approved by the Society and the Security Trustee; and

d. to consider, settle, approve, sign, execute and deliver all such agreements, documents, certificates and instruments (whether as a deed or not) and to take any steps or do anything in each case which as the Security Trustee shall consider to be necessary or desirable in connection with the deeds of release and termination referred to in Resolutions 9. a, b and c above.

Any member who has joined within the last 6 months will not be entitled to vote.

Questions on the Directors' Report, Auditor's Report or the Financial Statements must be submitted in writing to the Secretary at least 48 hours before the meeting.

For more information on submitting a question, please contact the Membership team on 01522 781 135 or email membership@lincolnshire.coop

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

The online Annual Members' Meeting is taking place as follows:

**Date: Thursday 10th
December 2020
Time: 6:30pm-8pm**

**For more information and how to take part please visit
lincolnshire.coop/amm2020**

Standing orders

1. The order of business at every members' meeting of the Society shall be in accordance with the printed agenda of business issued with the notice of the meeting.
2. Except in the case of a special members' meeting called on the requisition of members, the agenda of every meeting shall be made out in the form and order approved by the directors and shall include only such business as is decided on by the directors.
3. All notices of motion for consideration at any members' meeting must first be submitted to the Secretary in writing, signed by the member giving the notice, not later than twentyone days prior to the date of the meeting if earlier, the first meeting when there is more than one meeting. Any amendments to any proposal on the agenda at the members' meeting must be received by the Secretary at least seven clear days prior to the first meeting.
4. No member shall be allowed to speak more than once on any motion except the mover of resolutions, motions and amendments, who shall be allowed a reply and no member shall speak after the reply, immediately after which the question shall be put from the chair.
5. No member shall be allowed to speak for more than five minutes, except the mover, who may speak for ten minutes and take five minutes in reply.
6. The same agenda shall be put before the members at all the district and annual members' meetings. Where the agenda contains a motion and an amendment(s), voting shall take place as if both the motion and amendment(s) were substantive motions and on consolidation of the votes at all the meetings if both motion and an amendment or amendments are carried, the motion or amendment which has the greater number of votes recorded in its favour shall be declared carried. If the votes in favour are equal, the motion or amendment with the largest majority shall be declared carried.

7. Any member who has not spoken to the question before the meeting may at any time during the course of the debate move 'That the question now be put'. Such motion must be made without any accompanying speech and must be put without amendment or debate, and should such motion be adopted the chair shall, subject to the right of reply of the mover of the question under discussion, at once put the question.
8. Any member choosing to speak on any question must stand and address the chair. When two or more members stand at the same time, the chair shall indicate the member who is to speak first.
9. Whenever the chair rises to speak no member shall continue standing, nor shall any member rise until the chair resumes his seat.
10. A member shall speak strictly on the motion under discussion, or the amendment or to a question of order.
11. The chair may call attention to continued irrelevance, tedious repetition, or any breach of order on the part of a member and may direct such member to stop speaking.
12. Any one or more of these standing orders may be suspended at any meeting by the vote of a two-thirds majority of members present at the meeting. The decision of the chair on any point of order shall be final.

RULE 43 Members wishing to ask a question at any members' meeting of the Society must submit the question in writing to the Secretary at least 48 hours before the relevant meeting.

RULES 52, 54 and 47 How Votes Shall be Taken-the minimum number of members required to demand a ballot vote at meetings is 40 or at least 50 percent of members present and entitled to vote if less than 80 members are in attendance.



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