



For the year to **3rd September 2022**

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## Board of Directors

**David Cowell** BSc Hons, MBA, FCIM, FIOD  
Chair

Remuneration Committee member

**Claudia Nel** LLB Hons

President

Remuneration Committee member

Audit and Risk Committee Member

Search and Membership Committee Attendee

**Nicola Berry** FCMI

Vice President

Search and Membership Committee member

**Ian Haldenby** FCA

Chair of Audit and Risk Committee

Remuneration Committee member

**Stephen Hughes** BPharm(hons), CDir, FIOD

Chair of Remuneration Committee

Search and Membership Committee member

Audit and Risk Committee member

**Jane Moate**

Chair of Search and Membership Committee

Remuneration Committee member

**Jackie Munn**

Audit and Risk Committee member

**James F Scott** JP

Search and Membership Committee member

**Julia Romney**

Search and Membership Committee member

**Richard Wills** BSc, CEng, FICE, MIOD, FRSA

Audit and Risk Committee member

## Auditors

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

## Registered Office

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

## FCA Registration No.

141R

## Senior Leadership Team

**Ursula Lidbetter** OBE, BSc Hons, FCG DL

Chief Executive Officer

**Michael Borrill** Bsc Econ (Hons), ACIS, ACIB, AMCT

Interim Group Secretary

**Marc Brooks** BSc Hons, MRPharmS

Head of Pharmacy

**David Dernley** Dip.F.D. MBIE.

Head of Funeral Services

**Laura Dunne** BA Hons

Head of Marketing and Membership

**Mark Finn** LLB Hons MBA

Chief Retail Officer

**Stephen Galjaard** BA Hons, FCA

Chief Financial Officer

**Heather Lee** BA Hons, FCIPD, MBA

Head of People and Performance

**Andrew Turner**

Head of Group Services







## Chair's report

This is my second report to the Society's members since being elected by the Board to the relatively new role of Chair.

The Board is responsible, on behalf of members, for ensuring that the Society is operationally strong, is financially secure, is resilient and is able to invest in the communities which it supports.

It has been an eventful 12 months since my last report, when I set out the Board's ambition for the Society to continue to grow so that it can use resources to truly make life better for members and customers, alongside improving the services provided to our communities.

In the past 12 months we have focussed our efforts on protecting the health, safety and wellbeing of colleagues and members; preserving our financial security; and safely maintaining the services we provide to our members and customers. I am pleased to report that adhering to these principles, together with the outstanding efforts of colleagues, has led to an excellent performance. Our trading surplus in the year was £16.6m compared to last year's surplus of £18.2m. Our turnover in the year was £399m and assets also grew in the year from £269m to £311m despite the challenges that have emerged in the year.

During the last 12 months we have seen more normality begin to return to daily life and notwithstanding present headwinds, the recovery of the economy was much better than might have been anticipated in 2020.

We have maintained our commitment to finding and taking new opportunities to extend our footprint and I am pleased that we have been able to open two new stores in the past year. In the year we welcomed 18,724 new members and reached the milestone of having more than 300,000 members for the first time. Being able to continue to grow our membership is an important demonstration that the co-operative values and principles which inform the Society's purpose remain relevant today and resonate with a new generation of members.

With the climate change challenge, high inflation, rising energy costs and increased levels of geo-political uncertainty, the Society's purpose to bring together ideas, energy and resources to make life better in our communities remains as relevant today as it ever has. Likewise, the principles which guide the co-operative sector - open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation amongst co-operatives and concern for the community remain highly relevant.

Throughout the last century and a half, the Society's obligation has always been to consider not just the interests of today's members but also to invest to ensure we can serve the needs of future generations. We are continuing to make significant investments in technology, in our people, in each of our businesses and to further strengthen our operational resilience. These are all aimed at ensuring the Society meets the dual challenges of modernising ways of working and keeping abreast with changing needs.



The times we are living through illustrate the interconnectedness of all elements of society and remind us of Lincolnshire Co-op's obligation to play its part in addressing those challenges which confront us all. On climate change, we are working to reduce our environmental impact as a business and analysing and reporting how we do this. We have recently committed ourselves to the Science-Based Targets initiative – so you will now be able to see the Society as 'committed' on the SBTi website.

We are continuing to make progress on equality, level of gender diversity and inclusion but recognise we have a great deal more to do particularly in the area of ethnicity. The Board recognises that increased diversity helps to bring different and wider perspectives to bear into the work that we do and this is an important area of focus for us looking ahead.

At the heart of our community engagement is the programme of work undertaken by our Community team, including our network of Community Co-ordinators. It includes supporting 74 Wellbeing Walks across Lincolnshire and Newark, help for breakfast clubs in more than 200 local schools, working with local food banks and charities and much more.

This year, we united together with those across our nation in mourning Her Majesty The Queen. Floral arrangements laid across our area were a beautiful tribute and our funeral and community colleagues, the Senior Leadership Team and Board paid their respects on behalf of Lincolnshire Co-op by laying wreaths and arrangements. We also had condolence books in our funeral homes, florist and head office in Lincoln.

We were able to return to holding Board elections this year and I am pleased to be able to report that over 12,000 members took part in those elections. Voting for your Board members is an important part of the way in which members can have their say in the way in which the Society works. I would like to encourage all members eligible to vote in future elections to do so. Details of how to stand for election as a Society Board member are covered on page 24.

As a result of the 2021 elections, we have been able to welcome both Jackie Munn and James Scott as new members of the Society's Board who bring with them a fresh perspective to the work of the Board. I would also like to thank Margaret Tranter for her many years of service to the Society as Board member.

After 16 years of much appreciated and dedicated service to the Society, Jane Powell retired from her role as the Society's Secretary. At present that role is undertaken on an interim basis by Michael Borrill who has spent his working career in the mutual sector.

As many members will already know Ursula Lidbetter has announced that she will retire from her role as the Society's Chief Executive Officer at the end of December. It's a position which she has held for over 18 years and she has given more than 37 years' service to the Society. She will be very greatly missed by colleagues, members, Board members and by the co-operative family more generally. I would personally like to pay tribute to her here for the leadership that she has provided within the business and the wider contribution she has made to the co-operative sector.

Finally, I would like once again to thank all my colleagues for their outstanding efforts in serving members, partners and other stakeholders, and for supporting each other throughout the course of another highly demanding year. The Board is grateful and thankful to our members for their continuing support.

*David Cowell*

**David Cowell**  
**Chair**





## CEO's overview

At last we've been able to bring people back together this year; our first in-person member events since the pandemic, plentiful fundraising for our Community Champions and revitalising our collaboration with local partners to make positive change happen. There have been many highlights.

There have been challenges too. Rising costs, the tough economic climate and social issues will continue to test us for the foreseeable future.

But thanks to the commitment of our colleagues and the support of members and customers, our foundations remain strong.

## Our trading year

After two years where the pandemic dominated, we have seen a return to a more typical trading year.

Sales steadied in most of our business areas but as people started to travel more, we saw petrol volume increase by 7% and our travel branches also became busier, together moving the society's overall sales up 12% to £399m.

The travel industry was hit hard by the pandemic and the recovery this year has been gratifying to see, especially for my colleagues in branch who returned to the happy task of booking people's holidays instead of cancelling or rearranging them.

Sales in travel grew from just £1.3m last year to £27.8m. We are seeing more new customers - 24% of our clients have booked with us for the first time - with many wanting the support and security of using a travel agent after the disruption caused by Covid-19.

Sales in our food stores rose by 1%, maintaining the strong performance of recent years. Our Love Local range, which supports producers from across our area, recorded sales of £4.8m, a welcome boost to those local businesses.

There have been difficulties though. Supply chain disruption has been a worldwide issue and availability in our stores was affected, particularly in the last quarter of 2021. Our food outlets are also our biggest consumers of electricity, and our bills increased by 24% this year, despite our usage being down by 1.2% helped by investment in new refrigeration systems and fridge doors.

We know household budgets are feeling the pressure and we're introducing more value ranges across our stores and are promoting dividend and the benefits of being a member wherever we can.

In our pharmacies, prescription items dispensed were up 3% to 5.9m. We are holding our market share against online pharmacies thanks to our expert teams in branch who do such a professional job issuing medication and so much more.

The community health services they provide are key to looking after the wellbeing of local people. One focus has been encouraging over 40s have their blood pressure checked. Around one third of those in that age bracket will have high blood pressure without realising and our teams checked 706 people this year. Another 16,302 people were guided through the use of their medication as part of the New Medicines Service (NMS). We have also been busy administering 25,015 jabs at our Covid vaccination sites in Lincoln and Boston and 13,040 flu vaccines in our branch and community-based clinics.

Despite the vital work done by community pharmacy, Government funding has been flat rather than rising with inflation or wider NHS funding and this, combined with increases to wages, has put a strain on all pharmacy providers.

Our funeral branches helped families with 2,772 funeral arrangements in the year.

A major project for our team has been the transfer of our funeral plan administration to a new provider following the introduction of Financial Conduct Authority regulation of the sector. We're now an Appointed Representative of Ecclesiastical Planning Services Limited, which is part of a specialist, UK-based financial services group authorised and regulated by the Financial Conduct Authority. All plans remain invested with Royal London as before.

It was a huge project and meant this year we have had significant costs related to the administration of such a complex change. Ecclesiastical Planning Services Limited now hold 11,299 plans for our clients, and when the time comes to use those plans our colleagues will be able to deliver the same high standard of service.

Our post offices continue to provide valued services for our communities. The banking services we provide are particularly useful in rural areas.

Recruitment to all our roles across our trading businesses and support services, has been more difficult due to skills and labour shortages. We've introduced a new recruitment website which makes the process much easier and has seen applications rise. We're also involved in a range of skills development and employability projects.

In view of the economic climate, we're pleased that our trading surplus, though down by 9.1%, remained healthy at £16.6m. Our net assets grew to £311m, reflecting our profitable trading year, a steady of property valuations and a significant decrease in our pension liabilities due to dramatically increased bond yields over the year.

We've spent £22.7m on our capital programme this year and we continue to use local businesses and contractors where we can. To help fund this investment, we sold a number of commercial properties. Investment in our services included new stores opening in Retford and Barnetby, and we are on site building at Barrowby near Grantham, Skellingthorpe Road in Lincoln, Warsop near Mansfield, Bilsthorpe and Carlton near Selby.

Our major property schemes progressed, with the Lincoln Science and Innovation Park expanding and the Cornhill Quarter in Lincoln welcoming new tenants.

We want to use our resources wisely so we're always looking at our business to ensure we're offering what our customers and communities need. Sometimes, that does mean we have to make difficult decisions about services we run and we have done that with three outlets this year.

Our food store and post office in Nunsthorpe, Grimsby, were transferred to another retailer. Recruitment issues, and the pressure that put on our other travel branches, led to the closure of our Horncastle travel agency, and in Lincoln we shut our Carholme Road Pharmacy. Though we had relocated it into our busy petrol station in a bid to boost patient numbers five years ago, not enough people used the service to make it sustainable. We were glad that all colleagues from these branches were transferred or relocated to other trading sites.

## Forward view

Increased energy and payroll costs together with general inflationary pressures will continue to challenge all businesses. Customers will need us to be cost-effective to keep prices affordable.

We're investing in technology and systems to improve the experience for colleagues, customers and members and to enhance efficiency. These major projects include a new HR system to remove time-consuming manual processes and changes to the way we make up prescriptions in pharmacy to allow our teams to concentrate on providing a wide range of health services to our communities.

We are debt-free and by managing our costs, using our resources wisely and taking a long-term view, we will continue to invest to provide and support valued services for our area.

## CEO's reflections

I'm retiring at the end of 2022 after a fascinating career with the Society spanning 37 years, the last 18 as your CEO.

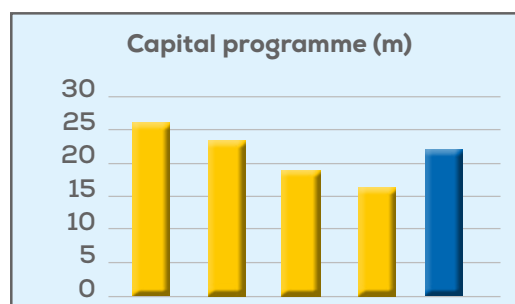
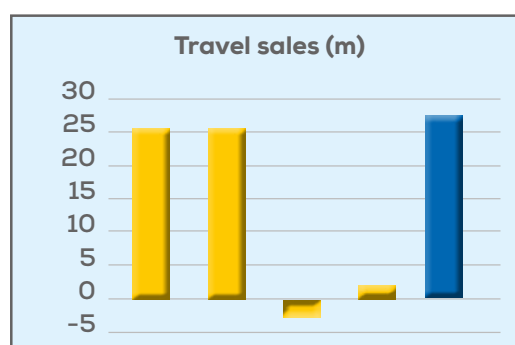
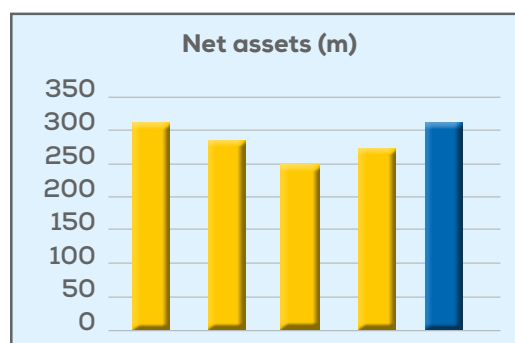
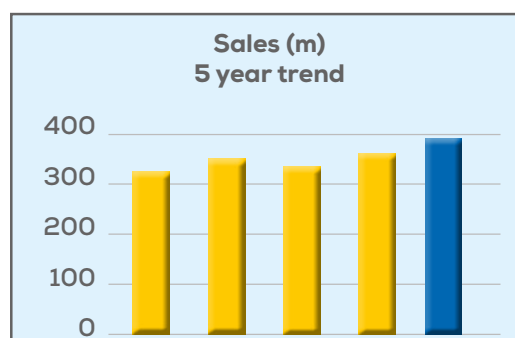
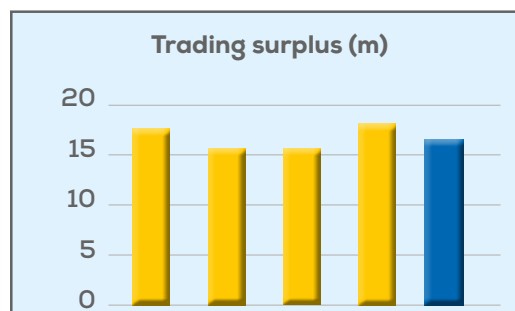
I'm proud of all we've achieved together. From the 252 volunteers who run Wellbeing Walks, to our 2,900 colleagues giving great service every day and our 300,000 members who support our shops and outlets - I've been honoured to work alongside you and to serve you.

Our aim is to be helpful, inspiring and trustworthy. I have endeavoured always to live up to these three words and thank our members and colleagues for believing in these things too.

I've served the Society for nearly a quarter of our 161 years. Now feels the right time to pass the baton on. So much has changed but our core purpose remains the same as it was in 1861, to work together to make life better in our communities. Thank you for your support over my time here and I wish you well as you continue our important work.

*Ursula Lidbetter*

**Ursula Lidbetter**  
Chief Executive Officer







## President's report

I was elected by my fellow Board members to serve as President and started my tenure in June 2022 – what a year it's been so far. It's been a privilege to travel around our area, meeting our members, colleagues and our partner organisations.

Our new food stores in Retford and Barnetby are proving to be key services for those areas. When

I visited both stores, I was able to speak with council representatives and they provided valuable local insight. At our Barnetby Food Store, we are working with the local In Bloom group to create green spaces and wild flower areas and it was great to meet with local volunteers getting stuck in when I was at the store.

I was delighted to attend the national Convenience Awards 2022 on behalf of the Society earlier this year. Colleagues Hayley Garratt-Day from Newark Road Food Store in Hykeham and Lynn Wilson-Henderson from Barnbygate Food Store were both nominated for their positive impact on the community under the category 'Sales Colleague of the Year'. The award is designed to celebrate colleagues who go the extra mile to help others, raise money for charities, and demonstrate impressive entrepreneurial spirit by suggesting profit-generating ideas. The process is highly competitive and celebrates retail workers from across the UK, so to have two colleagues in the final was incredible.

Our Community Champions fundraising makes a huge difference to good causes across our area, see page 13 for more. I was humbled to present a cheque of £134,722 to representatives of the charity Breast Cancer Now, our spring champion. Hearing first-hand the difference the money will make to research was deeply affecting. Meeting our colleagues and hearing their stories of how they fund-raised was also very special. My task of delivering a speech was easy compared to some of the organisational and physical feats they managed!

The network of Community Co-ordinators we have are invaluable, helping connect with people and groups across our area and create positive change. I've met several of the co-ordinators during this year and I'm always impressed with their energy and commitment – they really have their fingers on the pulse in each community.

As a local to Sleaford, I have been delighted to see the Riverside Centre flourish with the post office, the community grocer and many other new tenants. I'm looking forward to taking part in a lights switch on at the centre this Christmas.

I was honoured to lay a wreath in memory of Her Majesty, the late Queen Elizabeth, at Sleaford War Memorial alongside Michele Harris from our Sleaford Funeral Home. With sadness and pride we marked the Queen's passing and I think the country's grief highlights the valuable work of our funeral homes and the Lincolnshire Centre for Grief and Loss, which provides grief counselling, and is a board I sit on.

As President, I particularly enjoy connecting with our members and it's been wonderful to see so many of you at our meetings and events. Our Membership team is working hard to deliver a packed programme of activities in 2023 and I am looking forward to seeing more of you in coming months.

Finally, it has been an honour and a delight to work with our Chief Executive Officer Ursula Lidbetter over the last four years especially as President during her final retiring year. It is with sadness that I wish her well as she steps away as the Society's CEO but after so many dedicated years – over 37 in fact – the break is certainly well-deserved.

*Claudia Nel*  
**Claudia Nel**  
**President**



Paying tribute



Breast Cancer Now presentation



Retford Food Store





# 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**

# Achieving our purpose... our priorities

## Helping to grow the local economy

We develop property schemes designed to enhance local employment opportunities and skills. A key milestone this year was the opening of a new aseptic facility at the Lincoln Science and Innovation Park, which will make medicines including chemotherapy drugs for local NHS cancer patients.

Employability events and schemes are an important part of our recruitment strategy, designed to help people become job-ready. We've attended 16 events this year and several colleagues have offered career support to young people.

The Get Into Retail scheme, which we run alongside The Prince's Trust, saw 21 people complete the programme this year and six found positions with us.



**79%**

of our commercial and residential tenants said they felt positively or very positively about Lincolnshire Co-op as a landlord in a recent survey.



Sales of **Love Local** products sourced from our area reached

**£4.8m**  
this year.

## Caring for our health and wellbeing

Walking is great for your physical health and companionship boosts mental health – it's why our Wellbeing Walks scheme is such a success story. There are now 74 Wellbeing Walks across our area which are being supported by 252 volunteer walk leaders. New routes set up this year include at Gibraltar Point, Walcott and Branston.

Across our business, we have 132 trained Mental Health First Aiders covering almost half of our trading locations. We know mental health support is a growing issue and are devoting future Community Champions fundraising to groups offering first response services for mental ill health and suicide. We also offer our own colleagues counselling, paid for by the society and 181 took this up this year.

Our pharmacy teams provide a wealth of health services from branch and have been helping GPs surgeries through the Community Pharmacy Consultation Service (CPCS). Instead of having a GP appointment, suitable patients are referred to our pharmacies and we carried out 4,440 consultations this year.

Wellbeing Walks



We provided

**13,040**

flu vaccines this year, including at our community outreach clinics.

We support the Lincolnshire Centre for Grief and Loss and

**381**

people received counselling from the service this year.

## Looking after our local environment

Following our work over many years, we've now registered with the internationally-recognised Science Based Targets initiative (SBTi). It means we're committed to setting targets to reduce emissions, including direct emissions from activities such as gas and electricity use, vehicle use and refrigeration, as well as within our supply chain.

We were pleased to bring back our spring clean up events earlier in the year. Working with others, our teams of volunteers helped to tidy up more than 22 locations across our area from Grimsby to Sutton-on-Trent. From beaches and riverbanks, to church yards and green spaces, our volunteers certainly improved their local environment.



Community clean ups

Our colleagues have two paid days of volunteering annually and they have given **1,319** hours to the community this year, including sprucing up the local environment.

Projects have included a return to our Co-op Wood at Ashing Lane Nature Reserve near Sudbrooke. Alongside the Nettleham Woodland Trust, we planted the trees 10 years ago to celebrate our 150th birthday.

The wood is now flourishing and our colleagues went back to mark our 160th birthday and carried out tasks including chopping back greenery and restoring benches.

“ It was lovely to see people here serving the community. It's what Lincolnshire Co-op has done for the last 160 years and what I hope it will continue to do so for the next 160 years.

Chris Williams, Chairman  
Nettleham Woodland Trust ”



## Providing and supporting valued services

Our pharmacies provided a useful network enabling people to help the people of Ukraine when the war started in early 2022. Collection points were set up in each branch gathering essentials like toiletries and nappies, sleeping bags and first aid supplies. We also supported the Disasters Emergency Committee's Ukraine Humanitarian Appeal with a £10,000 donation.

We've been using the Modern Slavery training packages we developed for our colleagues to spread the word across our area about this issue and what can be done. We're encouraging our commercial tenants and Love Local producers to undertake the training.

Ukraine donations



**4,258**

borrowers visited  
our three community  
libraries in Waddington,  
Spilsby and Holbeach  
this year.

We worked with  
29 groups running school  
uniform banks to raise  
awareness of their services  
in a bid to help the  
environment and lower  
costs for families.

# Achieving our purpose... membership



Our community of members was bolstered by 18,724 new recruits this year, with 1,933 of those joining our junior membership.

At the end of the year in September, the total membership was 296,077 people, including 17,297 junior members. We signed up our 300,000th member in January but expected our numbers to fluctuate because of our regular database checks to ensure our members are active.

The number of members trading went up following a reduction last year – rising by 2% to 194,184 members (66%).

In food stores, we have seen the percentage of sales with members drop to 46%. We're working to address this by promoting the benefits of being a member through in-store and digital messaging.

We have been promoting paying with dividend and we've seen more members do this - 115,294 people have redeemed dividend, up from 95,952 the previous year.

962 members came to events this year like our annual members' meetings and two special environment-themed days. We've got an exciting programme of future activities planned too.

## 37,762

apples, oranges and bananas were given away to junior members during our free fruit campaigns.

## £4.3m

of dividend was redeemed in the year - up from £3.8m last year.



## What you think...

Every three years, we ask our members and customers how they feel about Lincolnshire Co-op to find out whether our community work and our services are hitting the mark.

- 84% of customers believe that Lincolnshire Co-op is helping to make life better in our communities – this is up 3% on 2019.
- 90% feel 'very positive' or 'positive' when thinking about Lincolnshire Co-op generally.
- Local, convenient and friendly are the top three words people associate with our brand.
- Pricing was the main area identified for improvement and focus.
- Litter picking, food poverty and youth activities were three areas people thought we could help with more.



# Achieving our purpose... community

A total of 496 groups shared in £680,776 raised through our Community Champions scheme including local community causes, charity Breast Cancer Now and groups tackling food poverty and sustainability.

Food insecurity continues to be an area of focus. As well as ongoing food bank collections in stores, we supported 80 Holiday Activity and Food (HAF) projects with £9,300 of gift vouchers over the summer – this provided free fruit and vegetables for 26,000 children attending the sessions.

We distributed £71,000 to 204 school breakfast clubs, the second year of support from the Community Champions funds raised in 2021. 11 new schools have joined the scheme this year, and the clubs are supporting over 7,000 pupils in total.

Our Community team were often out and about, supporting local events including Christmas markets and shows. They also attended this year's Mablethorpe and Lincoln Pride events alongside our funeral colleagues. We decorated outlets near the celebrations and we were part of the parade through Lincoln city centre, marching underneath our Belonging Together flag.



## 18

new defibrillators were installed across our trading area, paid for by Community Champions fundraising from 2020.

Toy bank donations



## Travel's Toy Bank

We shared 247 gifts between 14 groups supporting in-need families last Christmas as part of a campaign run by our travel branches.

Donations were made with bookings throughout the year and we held collections too.

“ There are always people who are needing help and luckily there are people willing to give help, and this campaign gives people the opportunity to be proactive in their community support.

The heart of Lincolnshire Co-op is being there for the community and that's evident with Travel's Toy Bank campaign. A huge thank you to everyone who donated to this vital cause.

Sian Wade, from Bridge Church in Lincoln.

”



# Achieving our purpose... our colleagues

## Award winners

In March 2022, we held our annual Colleague Awards Week to celebrate the achievements of our incredible team.

We awarded the Branches of the Year honours as well as giving awards to individuals and teams who went the extra mile.

The overall Team of The Year accolade went to colleagues involved in setting up our Covid-19 vaccination centres at Newland Pharmacy in Lincoln and Parkside Pharmacy in Boston.

They came together from across our business to set up the centres at short notice. Within a month from first applying to deliver the service, the first vaccine was administered. The two locations have given more than 25,000 doses this year.



## The rest of our winners were:

### Branches of the Year – Food

#### Gold award

Argyle Street Food Store, Boston

#### Silver award

Alford Food Store

#### Bronze award

Cambridge Road Food Store, Grimsby

### Branches of the Year – Pharmacy

#### Gold award

Holbeach Pharmacy

#### Gold award

Birchwood Pharmacy

#### Gold award

Heckington Pharmacy

### Branches of the Year – Post offices

#### Gold award

Old Leake Post Office

#### Silver award

The Willows Post Office, Grimsby

### Branches of the Year - Funerals

#### Gold award

Horncastle Funeral Home

#### Silver award

Sleaford Funeral Home

### Branches of the Year – Travel

#### Gold award

Louth Travel Branch

#### Silver award

Carlton Centre Travel Branch

### Helpful Colleagues of the Year

- Branston community response team.
- St Botolph's Pharmacy, Lincoln
- Lauren Taylor, Louth Pharmacy

### Trustworthy Colleagues of the Year

- Vikki Swan, Claire Finney, Janet Bloomfield from Metherringham Post Office
- Angie Tacey from The Willows Post Office in Grimsby

### Inspiring Colleagues of the Year

- Kirsty Everington, Branston Food Store
- Florists, Birchwood Centre, Lincoln
- Jennie Roberts, Mablethorpe Funeral Home
- Annual Members' Meetings team

## Developing people

We want to help our team be the best they can be so we invest significantly in training for our colleagues.

We have 87 colleagues studying for apprenticeships in the business. We offer degree apprenticeships and have 10 people who have completed or are undertaking such courses.

Our team took over 35,577 training courses on our online platform i-Learn, including modules on modern slavery as well as being inclusive.



Degree apprenticeships



## Colleague Survey 2022

We asked colleagues what they think about Lincolnshire Co-op as an employer in a survey this year.

**93%**

are proud to work for Lincolnshire Co-op

**94%**

say we're a good employer

**93%**

say we're fulfilling our purpose to make life better in our communities

## Long-service milestones

Every year, we recognise colleagues who have achieved 25 and 40 years of service with us. They receive vouchers from the society and a certificate. It's our way of saying thank you to these trustworthy team members who have dedicated their careers to Lincolnshire Co-op.

### 25 years

Denise Stewart	Checking Technician	Hykeham Village Pharmacy. North Hykeham
Clare Pennington	Travel Branch Manager	Newark Travel branch
Vanessa Newell	Customer Service Assistant	Long Sutton Food Store
Sharon Welbourne	Pharmacy Services Assistant	Barrowbygate Pharmacy, Grantham
Gary Carver	Food Store Manager	Dunholme Food Store
Susan Whittle	PO Manager	Monks Road Lincoln Post Office
Julie Bell	Customer Service Assistant	Long Sutton Food Store
Lynne Hardwick	Customer Service Assistant	Caistor Food Store
Helen Martin	Team Leader	Market Rasen Food Store
Melvin Dixon	Food Store Manager	Coniston Ave Grimsby Food Store

### 40 years

David Gault	Funeral Director	Tritton Road Funeral Home, Lincoln
Michael Hughes	Relief Pharmacist	Pharmacy
Jane King	Customer Service Assistant	Heckington Food Store



## Environmental impact

Our local environment is one of four key focus areas of our purpose. We also recognise and seek to reduce any impact we may have on the global environment, especially in areas such as waste management and climate change.

### Waste, packaging and sourcing

We have a zero waste to landfill strategy with all our food, paper, cardboard, plastics, and equipment diverted from landfill. So it is reused, recycled, composted or sent to energy recovery.

Our focus is to continue to reduce waste. Our active 'reduce to clear' policy in food stores ensures the waste at the end of the day is minimised by discounting it for the benefit of the local community. This may include some products that are beyond their 'best before' date and that has helped to reduce food waste by more than a third.

We helped to set up a depot in Lincoln for the charity Fareshare East Midlands, which takes surplus food from retailers and food processors to redistribute to local charities and community groups. Our stores don't now have very much surplus food to collect but we are pleased to have been involved in the setup of this, reducing waste in our area and supporting groups that can benefit from the food.

In 86 of our food stores we offer soft plastic recycling, enabling customers to recycle waste such as bread bags. We also offer extra dividend to those members who bring a reusable cup when they use our Costa Express service. For those that want to top up a water bottle, we have taps in 15 food stores.

In our funeral business, eco-coffins were added to the range several years ago and now almost half of the funerals carried out has an eco-coffin selected. They are also our most affordable options, ensuring everyone can make a green choice. Our single use carrier bags are compostable and we continue to encourage customers to bring reusable bags and have a range on sale. Net proceeds from the sale of the single use carrier bags goes to our Community Champion scheme and other environmental initiatives.

We work with the Salvation Army to help recycle clothing too. Our 48 clothes banks recycled more than 272,000 kgs of clothing in the last year.

### Energy use and carbon emissions

Almost all of our electricity is sourced from green supplies. We have been buying this way for more than 15 years though this year, market changes are making this increasingly difficult with our current supplier exiting the commercial energy market and other suppliers reluctant to add new commercial customers. We hope that this situation eases soon but it may be that we're not able to guarantee certified green supplies in the future.

Despite being on a green supply contract, mainly powered by wind, we have continued to invest in low energy technologies. Some initiatives are more visible than others.

Our fridge doors have been a great way of reducing energy, they also make it easier to manage the store temperature for customers and colleagues. Typically, we can see energy reductions of 27%. We have been installing them since 2013 and most stores now have them.

We use energy efficient LED lighting in most of our buildings and a third of our food stores have building management systems that regulate the store lighting and heating.

Most gas boilers have been replaced with more energy efficient equipment such as air source heat pumps.

Our refrigeration systems are being replaced with new efficient CO2 based equipment, removing the traditional refrigerant gasses that are particularly damaging to the environment if they do leak.

We have solar panels in 10 of our locations and are intending to extend this further in the next year.

Our vehicle fleet is moving over to low emission vehicles such as plug in hybrid funeral vehicles and some fully electric vans for our pharmacy deliveries.

To help our communities convert to electric vehicles we have charging points in 12 food stores with more planned. These are proving popular with more than 8,000 visits in the last year.

We have been measuring our energy use and emissions for many years. The table (right) shows those amounts for the current and previous year. The table includes use of gas and other fuels together with the global warming impact of any refrigerant leak.



Total energy use	2022 kWh '000s	2021 kWh '000s
Electricity	19,458	19,681
Gas	3,568	4,600

Emissions	2022 Tonnes CO2e	2021 Tonnes CO2e
<b>Scope 1</b>		
Gas	642	835
Transport	592	386
Refrigerant gas	1,032	1,054
<b>Scope 2</b>		
Purchased electricity	3,763	4,178
Less renewables	(3,736)	(4,157)
Purchased electricity from non renewables	27	21
<b>Scope 3</b>		
Employee business travel	188	168
<b>Total emissions</b>		
Total emissions from non renewables	2,481	2,464
<b>Intensity ratio</b> (Tonnes CO2e per £1m turnover)	7.3	7.6

CO2e refers to 'carbon dioxide equivalent' is CO2 equivalent for various greenhouse gases.

### Next steps to further reduce emissions

Our plan is to reduce our current, directly controlled (scope 1), climate change emissions by 75% by 2030, given existing technologies. We hope and anticipate that technologies will continue to evolve to allow us to reduce the remaining 25%. We plan to continue to purchase green energy (scope 2) whilst this remains a viable option, whilst continuing to roll out energy reducing technologies.

We're removing existing gas heating systems and designing out gas heating from new developments. Traditional refrigerant systems in our food stores are being replaced with new CO2 systems.

We're replacing vehicles with low emission vehicles, with electric being the preferred solution where that is viable. This year that's included hybrid hearses and funeral cars as well as a pharmacy delivery van.

To ensure our thinking and calculations are robust, we have committed to the Science Based Targets initiative (SBTi) and appointed an organisation called EcoAct to support us in the process.

Hybrid funeral vehicles



Soft plastics recycling



Nicola Berry



### About me:

Originally from Newark, I married John in 1991 and have lived in Sleaford ever since. I work part-time as a dental receptionist now after a long career in retail and supply chain management. I enjoy being in the garden or out walking, especially along canal towpaths and rivers. I love travelling, exploring and learning about our country, there's so much to discover.

### Why's being a Director of Lincolnshire Co-op important to you?

Lincolnshire Co-op is so diverse in its business operations, yet so connected to so many communities. It is important that we have Directors who care about our members, colleagues, communities, tenants, local producers and partners throughout our wide trading area, bringing oversight and commitment to ensure a long-term, sustainable future.

### What do you bring to the Board of Directors?

I have brought knowledge and experience of retail operations, food production, supply chain and logistics, together with a broad financial business understanding to the Board.

I experienced 15 years in the private sector and have had over 25 years working in the co-operative sector.

I believe strongly in team working, collaboration and cooperation to make life better in our communities.

David Cowell



### About me:

I am very much the family man having three grown up children and six grandchildren spread across the country. I enjoy travelling widely, listening to different people, and learning from different cultures. I like all things mechanical and am currently restoring a 1979 Land Rover Lightweight— I do like a challenge!

### Why's being a Director of Lincolnshire Co-op important to you?

The 'purpose' of Lincolnshire Co-op is the critical piece for me and as a Director I have the chance to work with my Board colleagues and the senior management team to help shape and deliver this 'purpose' and in so doing look to ensure the sustainability of the Lincolnshire Co-op for the next 161 years. I value the opportunities being a Director affords me to support others and encourage them to be the best they can be.

### What do you bring to the Board of Directors?

I have deep and broad experience of the business world both in the UK and overseas which I can draw upon to give thoughtful and insightful comments on issues. Perhaps more importantly I bring with me; an open mind, a willingness to listen and a respect for the contributions made by all attendees at our various meetings.

Ian Haldenby



### About me:

I'm an accountant living in Gainsborough, I have two grown up children who have flown the nest so I get plenty of time to spend with my wife enjoying our hobbies which include running, cycling, cooking and travelling to see friends.

### Why's being a Director of Lincolnshire Co-op important to you?

It's the perfect opportunity for me to use all the skills and experiences I have accumulated over my 30 years in multiple industries to help grow a business that makes such a positive impact on the local community well beyond the things, services and products it sells.

### What do you bring to the Board of Directors?

A range of financial and technical skills covering key areas of the business such as retail, property and risk management, alongside a positive attitude of critical friend to the executive team.

Steve Hughes



#### About me:

Born and bred in Lincoln I grew up on Hartsholme and went to the City School, I am married to Ruth and we have two daughters. The eldest is a specialist stroke nurse training to be an advanced care practitioner whilst the youngest has just completed a PhD in Neuroscience. Although disabled I still like to garden and love to see flowers in the house, so as well as having a range of pots outside I grow orchids and cyclamen inside and get them to re-flower on a regular basis.

#### Why's being a Director of Lincolnshire Co-op important to you?

Our Co-op is apolitical and supports people and communities across the trading area and this is important to me as we seek to make a real difference to people's lives irrespective of their political persuasion. People first should always be our motto.

#### What do you bring to the Board of Directors?

I bring experience of working within the Society and professional knowledge of pharmacy having worked as a pharmacist for 30 years. I also bring experience and knowledge of the wider co-operative retail movement having represented the Society on various bodies for a number of years. My passions are science and sustainability, I would like to see our Society as a leader and facilitator of the green agenda across our trading area.

Jane Moate



#### About me:

I'm a local girl, born, educated and employed in the fair city of Lincoln. I don't have any extreme pastimes but love to spend time with family and friends - especially my two three-year-old granddaughters.

I'm passionate about food waste and will do my best to make sure that everything is used - right down to that last sad, wonky carrot!

#### Why's being a Director of Lincolnshire Co-op important to you?

Lincolnshire Co-op is well known and I hope well thought of across our county and beyond. Traditional values are important to me and the Society embodies a value driven business from our community investment and focus to being a caring employer and responsible partner to all our stakeholders.

Just being a part of this long-standing Society and helping to shape its' future is a privilege.

#### What do you bring to the Board of Directors?

My banking background together with a practical and common sense approach provides me with a sound base to undertake my Director duties. Local knowledge helps too and I'm keen to represent our members and their views.

I'm proud of all the services we offer but I'm particularly pleased about our Love Local range. It's great to bring these wonderful products to a wider population.

Jackie Munn



### About me:

I have lived in Lincolnshire all my life, growing up and going to school in Lincoln. I retired in 2020 from a career in the voluntary and public sector, working in various roles around the country but always with Lincolnshire as my base.

My family are incredibly important to me, I am a devoted granny to my two (soon to be three) grandchildren.

### Why's being a Director of Lincolnshire Co-op important to you?

I'm so proud to be part of Lincolnshire Co-op, serving it and its members. It is an institution, something that sits at the heart of our Society, reliable but quietly innovative, all in the best interests of the members and the local community. It is an honour to be part of taking it forward alongside the impressive executive team and colleagues.

### What do you bring to the Board of Directors?

On occasion I have had to make difficult decisions in challenging circumstances. I am objective and focused, supportive, and decisive. I hope I can help make the right decisions for the right reasons and lend appropriate guidance where it's needed.

As the Board lead on whistleblowing, I really want to help give confidence that Lincolnshire Co-op is committed to operating to the highest standards of integrity.

Claudia Nel



### About me:

I grew up in Stratford upon Avon so perhaps unsurprisingly I love the theatre - whether it's Shakespeare, musicals like Matilda or Three Men in a Boat at Sleaford's Playhouse. If you haven't visited Sleaford's Playhouse or Stratford's Attic Theatre or Royal Shakespeare Theatre you really must!

My husband Reinhart and I are busy at home with our two daughters, three cats and puppy so most weekends involve a long relaxing walk around Bransby Horses or to a dog-friendly coffee shop - it's a nice change after working at a desk most of the week.

### Why's being a Director of Lincolnshire Co-op important to you?

It's a real privilege to work on the Board of an organisation with such great values and a long history of giving back to the community. We have such dedicated colleagues who make a real difference to people's lives whether through their day to day work or volunteering.

### What do you bring to the Board of Directors?

As my day job is working as a solicitor and data protection officer I enjoy drawing on that legal and compliance experience when working on the Board or liaising with the Senior Leadership Team. I also enjoy learning so many new things about all the diverse business areas and hopefully bringing a fresh pair of eyes as I am not a pharmacist or travel agent or funeral Director etc so I have a different view perhaps to people working in these sectors.



Julia Romney



#### About me:

As a jack of all trades but master of none I enjoy a variety of hobbies! Cross stitch, embroidery, sewing, gardening (but only in good weather) walking a neighbour's dog on the South Common, baking – cakes mainly, reading and trying to complete puzzles. Best of all is spending quality time with my daughters and grandchildren – who love helping with the baking and crafting! I enjoy foreign holidays and socialising as much as possible.

#### Why's being a Director of Lincolnshire Co-op important to you?

What I find important is we have maintained our reputation over the years and that we continue to be a successful local independent co-operative bringing our communities together by supporting and working with local businesses.

Working under and being embraced by the large umbrella that is Lincolnshire Co-op we all contribute and benefit from being such a successful Society of which I am extremely proud.

#### What do you bring to the Board of Directors?

I've been a member of Lincolnshire Co-op for nearly 50 years, employed by the Society for nearly 40 years and served as a Board member for over 20 years. During this time, I have witnessed the continuous evolvement and success of our Society. I have seen our Society grow and embrace many changes and I would like to think that my contribution is helping towards our continued success albeit in a small way.

James F. Scott



#### About me:

When I am not working, you will find me on my narrow boat, exploring canals and rivers, or driving a classic car, or researching into local history about Lincoln. I also love walking, cycling, expanding my knowledge on the internet, reading, anything to do with driving and the law.

#### Why's being a Director of Lincolnshire Co-op important to you?

What I find special about Lincolnshire Co-op is the fact it is one of the most successful independent co-ops with over 161 years of history and still going strong, thanks to the commitment and passion of all the colleagues I work with to continue to make this happen. What is important for me as a Director is to make sure I provide energy, purpose and sustainability within the Board of Directors and work with the team to futureproof the Society for our members and communities.

#### What do you bring to the Board of Directors

I wish to bring in new energy and contribute to our governance and how we adhere to the co-op principles. I look forward to meeting existing and new members, listening and sharing the strong commitment to the Board and to contribute to developing and maintaining an effective and high-performing Society.

Richard Wills



#### About me:

I am retired, but seem to be busy still! The Co-op, some other business interests and the methodist church keep my mind active. To relax, I do a bit of cooking and bread-making. Although our children's' families are away from Lincolnshire, we see them regularly and sometimes my wife and I get away for a few days on our own!

#### Why's being a Director of Lincolnshire Co-op important to you?

I have long been attracted to the idea that member-owned organisations like the Lincolnshire Co-op, can be commercially successful and contribute to communities and the local economy. We have been particularly good at all these things. It is a privilege to serve as an elected Director aiming to achieve the best for our customers, members and employees.

#### What do you bring to the Board of Directors?

As a civil engineer with a career in local government, I am a problem solver and strategist with a sound understanding of finance, property, management and governance. I aim to bring a strong social justice ethos, undoubtedly shaped by my active involvement in the Methodist Church – and a family who have never been shy to challenge my ideas!

## Corporate Governance Report for the year ended 3rd September 2022

As a Registered Society under the Co-operative and Community Benefit Act 2014, Lincolnshire Co-operative Ltd is not subject to the provisions of the UK Corporate Governance Code (the UK Code). However, Co-operatives UK (which is the representative body for co-operatives in the UK) has issued a code for Co-operatives.

The Society's approach to corporate governance is based on the Co-operative Governance Code and where appropriate the Principles and Provisions contained in the UK Corporate Governance Code. Although the UK Code is primarily aimed at listed companies, the Society's Board is committed to operating in line with good standards of corporate governance. For this reason, and to meet the expectations of the Society's Members and other stakeholders, the Board chooses to have regard to the UK Code, in so far as possible and relevant to Co-operative Society.

This report sets out how we have done this during 2021/2022.

Whilst the Society is registered under the Co-operative and Community Benefit Act 2014, directors also have regard to Section 172 (1) of the Companies Act 2006. Consequently, directors must act in a way that they consider, in good faith, would be most likely to promote the success of the Society for the benefit of its Members as a whole, and in doing so have regard (amongst other matters) to:

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

In our Society we believe it is important to bring a range of considerations to our decision making including:

- Our purpose, as this ultimately steers and guides our business.
- The needs and interests of Members, colleagues, customers and the communities served by the Society.
- Ethical and environmental impacts and opportunities.
- The Values and Principles of the International Co-operative Alliance.
- Commercial and potential reputational impacts for our business and brand.

### The role of the Board

The Board is the governing body of the Society and its responsibilities fall under a number of broad functions, which include, setting the overall strategy and risk appetite, leading the development of the Society's culture, operational oversight and setting the corporate governance framework. The Board operates through a number of committees (described below) in order to be able to discharge its duties effectively.

One of its primary duties is to promote the long-term success of the Society, whilst acting in the best interests of both current and future Members. In doing so, the Board also has regard to its wider stakeholders. The Board is responsible for a wide range of matters which are set out in full in the Society's Rules but are summarised below:

- Ensuring that the Society's affairs are conducted in accordance with the Society's Rules.
- Approving the Society's strategy and business model and monitoring progress against the agreed strategy.
- Ensuring the sustainability of the Society's business model.
- Maintaining a sound system of control and setting the Society's appetite for risk. The Board delegates the responsibility for monitoring performance against risk appetite and tolerance of risks and the responsibility for reviewing the adequacy and effectiveness of the Society's internal controls to the Audit and Risk Committee.
- Approving significant projects.
- Ensuring that there is an appropriate culture in place across the Society which aligns with its strategy and values. The Chief Executive Officer and the Senior Leadership team are responsible for embedding the agreed culture.
- Fostering transparency and honesty and ensuring that good standards of behaviour permeate throughout all levels of the Society.
- Approving the Society's Whistleblowing Policy and annual statement on the steps being taken to mitigate modern slavery and human trafficking risks to which the Society is exposed.
- The proper conduct of all aspects of the Society's affairs.
- Approving the Society's Remuneration Policy, upon the recommendation of the Remuneration Committee.
- Ensuring that Board and Senior Management succession planning is in place.
- Taking steps to ensure that management information received is appropriately tailored to meet its needs and as a whole, is clear, accurate and timely, enabling it to discharge its performance oversight role.

In addition, the Board receives regular reports from the:

- Board Committee Chairs on key matters considered and decisions made at the last Committee meeting.
- Chief Executive Officer and the Chief Financial Officer on the progress being made with work to deliver on the Society's Purpose, implement the strategy agreed by the Board and on the financial performance of the business.

To enable the Board to use its time effectively, a forward-looking programme of meetings and a rolling Board agenda is maintained. There is sufficient flexibility in the Board's agenda to ensure that the Board can address emerging matters in a timely manner.

### **Delegation of authority**

The Board recognises that ensuring a system of effective corporate governance is integral to the successful delivery of the Society's goals. In order to allow the Board to spend sufficient time on items of the most strategic importance, the Board delegates a number of oversight responsibilities to its Committees. The delegation of a Board responsibility to a Committee is made on the basis that membership of each of the Committees is made up of Directors with relevant skills, knowledge and experience required for that subject area. The responsibilities of each Committee of the Board are outlined within their respective Terms of Reference, which are subject to annual review by the Board and can be viewed on the Society's website: [lincolnshire.coop](http://lincolnshire.coop). In addition, the Board also maintains a Schedule of Matters which are reserved for its decision which is also subject to annual review. The Board oversees the work of each of the Committees by receiving regular reports from each Committee Chair on the key matters considered following each Committee meeting and the minutes of Committee meetings. The Board delegates to the CEO responsibility for developing and recommending the Society's strategy; carrying out and implementing the agreed strategy; and managing the day to day performance of the business.

### **Strategy**

During the year a comprehensive review of the Society's present strategy was undertaken which included the following:

- Strategy and Business Model Review
- Environmental Strategy
- Digital and Data Strategy Review
- Corporate Plan
- Marketplace Developments

### **Board structure and composition**

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

Under the Society's Rules, the Board of Directors consists of not more than 12 Members, 9 Directors (of whom no more than 3 may be Employees) who are elected by the Society's members. The Board may co-opt up to 3 Directors ("Appointed Directors") provided that at all times the number of Appointed Directors is in the minority. Appointed Directors may only serve for a fixed term with such appointments being reviewed annually and approved by Members at the Annual Members' Meeting.

No more than 5 elected directors may be either current employees of the Society or have served as employees of the Society in the preceding 5 years.

### **Board members**

The maximum term a director can serve without standing for re-election is three years. Elections to the Board normally take place annually but due to the delayed timing of the elections the last Board elections took place in November 2021. No elections being held during 2022. The delay in elections taking place in 2021 was attributable to the continuing impact of COVID19 pandemic at that time. New elections to the Board are scheduled to take place in May 2023.

Board members are expected to have a broad range of skills, knowledge and experience to exercise independent judgement on strategy, performance, risk management and corporate governance. In addition, the purpose of the role undertaken by Directors is to:

- Constructively challenge strategy proposals presented by the Chief Executive Officer and Senior Leadership team;
- Scrutinise and challenge operational performance against the corporate plan;
- Assess the integrity of the financial information and controls;
- Assess the adequacy of the Society's risk management framework and systems of internal control;
- Assess whether current and future resources correspond with the Society's objectives;
- Approve the Society's Remuneration Policy;
- Be satisfied that an appropriate culture is in place.

## Board elections

The Board welcomes contested elections and encourages Member participation in the electoral process and is keen to attract potential future directors. Members interested in a role on the Board are invited to indicate this by contacting the Society's Secretary. Further details can be found on the Society website [www.lincolnshire.coop](http://www.lincolnshire.coop)

## Time commitment and external interests

One of the important elements which is taken into account when assessing a potential new Directors suitability as a Board Director is whether that individual is able to commit sufficient time to the role with the Society. Prior to appointment Members standing for Election are asked to provide information about their other significant commitments with an indication of the time involved. The Society's Secretary maintains a register of director's interests to ensure that they do not participate in any decisions where they may have an interest. The rules of the Society provide that members are debarred from becoming directors in circumstances where specific interests in other organisations are held.

Directors	Occupation	External Appointments
Nicola Berry	Dental Receptionist	N/A
David Cowell	Director	Director PCA Partnership Ltd NED and Trustee Bishops Council of Diocesan Trustees (CofE Lincolnshire) – Trustee Worshipful Company of Marketors Charitable Trust Co-operative Development Agency board member
Ian Haldenby	Group Financial Controller - PIB plc	Lincolnshire County Council – Audit Committee Member
Stephen Hughes	Retired Pharmacist	Co-operatives UK, Retail Council Member The Co-operative Group - National Member Council Local Enterprise Partnership – Member Co-operative Development Agency board member
Jane Moate	Retired Banker	N/A
Jackie Munn	Retired	Co-operative Development Agency board member
Claudia Nel	Solicitor	Member of the William Alvey Church of England Trust Community Governor of the Kesteven and Sleaford High School Practising Solicitor Lincolnshire Centre for Grief and Loss board member
Julia Romney	Security Investigator - Lincolnshire Co-op	Co-operative Development Agency board member
Margaret Tranter*	Retired	N/A
James Scott	Driving Assessor / Fleet Trainer - Lincolnshire Co-op	JP and member of the Lord Chancellors Advisory Committee (East Midlands area)
Richard Wills	Company Director	Director of the Methodist International Centre Ltd

The time commitment of the Society's serving Directors is monitored carefully by the Society's Group Secretary who reports on this topic to the Search and Membership Committee.

Any additional roles that a Board member wishes to take up following appointment requires the prior approval of the Board.



## Board and Committee membership and attendance

	Board	Audit and Risk Committee	Remuneration Committee	Search and Membership Committee
Nicola Berry	12/14			6/9
David Cowell	14/14		11/11	
Ian Haldenby	11/14	6/6	4/4	
Stephen Hughes	14/14	6/6	11/11	6/6
Jane Moate	14/14		4/4	6/6
Jackie Munn	09/09	5/5		1/1
Claudia Nel	12/14	3/5	3/4	
Julia Romney	13/14			9/9
Margaret Tranter*	00/12		0/5	0/3
James Scott	09/09			5/5
Richard Wills	12/14	6/6		
Barbara Hutchinson	04/05		6/7	2/3
Stuart Parker	04/05	1/1	7/7	3/3

\* To June 2022 only

## Chair, CEO and Society Secretary

The offices of Chair, Chief Executive Officer and Society Secretary are separate and held by different individuals.

The Chair is not involved in the day-to-day management of the Society but is responsible for the following matters which are outlined within a role profile which is subject to review and approval by the Board:

- The leadership and operation of the Board, ensuring that it promotes high standards of corporate governance;
- Leading the development of the Society's culture and standards;
- Ensuring the effectiveness of the Board, its committees and individual directors are subject to annual evaluation;
- Ensuring that the Society engages effectively with its key stakeholders;
- Setting the agenda, style and tone of Board discussions;
- Ensuring that Directors receive accurate, timely and clear information;
- Developing the Board Succession Plan; and
- Ensuring that a comprehensive induction programme for new Non-Executive Directors joining the Board is maintained and that existing Directors receive the necessary ongoing training to be able to contribute fully to the Board.

The Chief Executive Officer's primary responsibilities are the management of the Society, the development and implementation of the Board approved strategies and policies. Their full responsibilities are also outlined within a role profile which has been reviewed and approved by the Board during 2022.

The Society's Secretary's primary responsibilities include ensuring that the Board follows its own procedures, ensuring that the Society has in place appropriate systems and controls in order to adhere to the legal and regulatory framework.

During the year the Board has held two joint meetings with members of the Senior Leadership Team as part of the process to review and update the Society's strategy.

## Our Control Framework

### Risk management approach

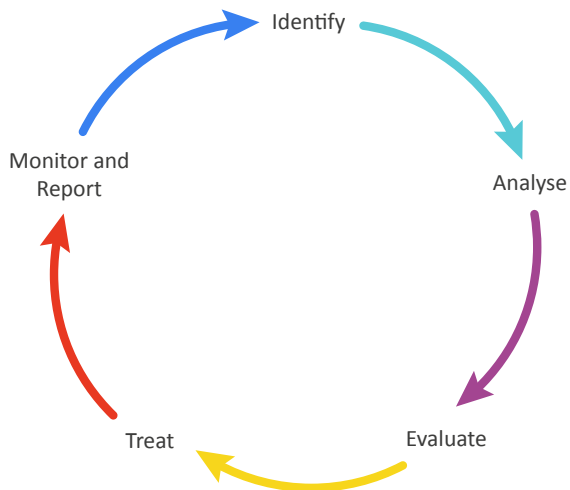
Our purpose is to "Bring together ideas, energy and resources to make life better in our communities". In doing so, we accept that risk is inherent in everything we do and that it is impacted by changes within the industry, and wider economic and political climate. We maintain a business wide risk register to understand our principal risks and how to manage them.

## Risk management framework

A new Risk Management Framework which closely aligns to ISO 31000:2018 has been developed and was approved by Board in July 2022 which is accepted as being current industry best practice. This has the support and commitment of senior leadership and consists of our systems of governance, roles, responsibilities and accountabilities, risk appetite and process. This has facilitated a clearer identification, understanding and articulation of Principal Risks, including those affecting the Society's Strategy, and key and operational risks in each business area.

The current Principal Risks were approved by Board in September 2022, and have existing controls captured together with action plans to further mitigate risks where considered necessary. Our Assurance Framework continues to evolve and will be further enhanced through regular Internal Audit reviews, to ensure we are controlling and managing risk effectively.

## Risk management process

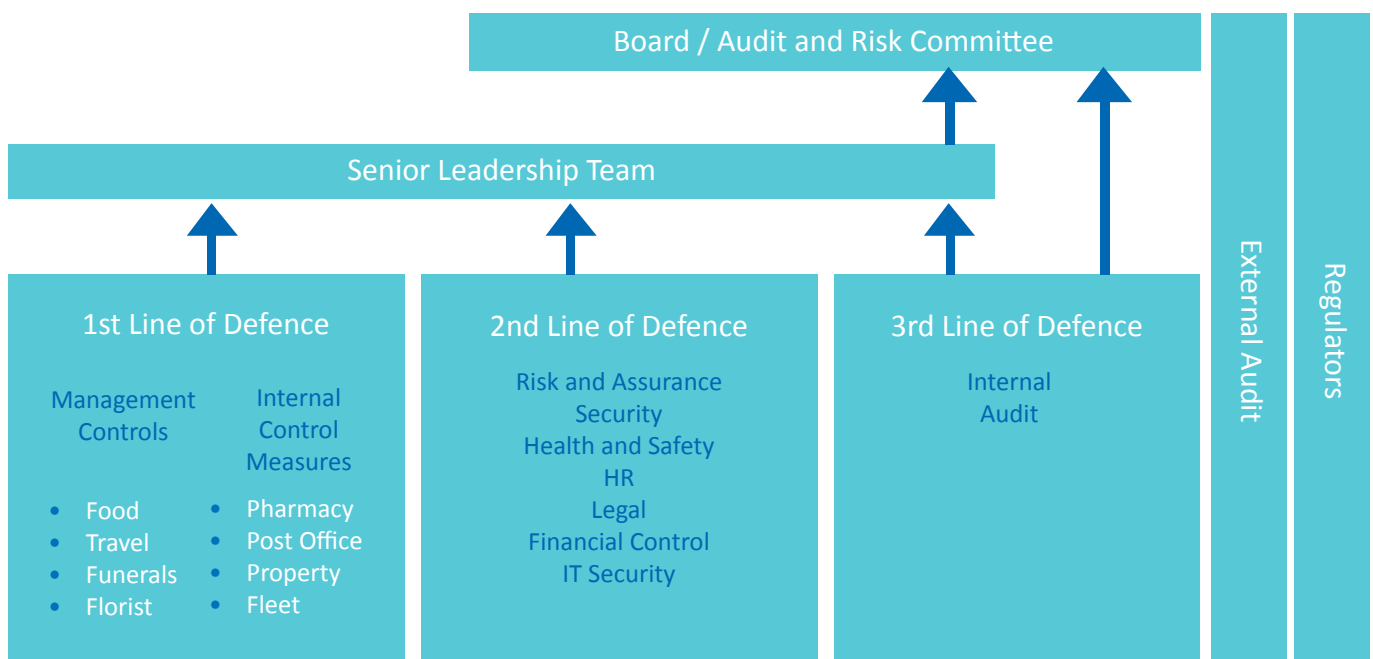


### Principal risks

- Business strategy
- Change Management
- Competitor and Markets
- Customer
- Cyber and Technology
- Financial sustainability
- Health and safety
- People
- Regulatory and Legal
- Reputation
- Suppliers

The new framework has been built to help identify, analyse, evaluate, treat and monitor the risks that threaten our strategic priorities, taking a top-down/bottom-up approach across the business.

The principal risks are reviewed by the Senior Leadership Team, the Audit & Risk Committee and the Board on a regular basis.



## Principal risks

Principal risk	Description
<b>Business strategy</b>	There is a risk that our strategy does not address our purpose leading to a moribund organisation which could impact future viability.
<b>Change management</b>	The current strategy shows planned projects over the next 5 years. There is a risk that we cannot deliver the volume at the pace required, we do not have the key skills to manage the volume, changes to market conditions outpace our ability to react strategically, and planned capital expenditure and source of finance is negatively impacted by current world events.
<b>Competitor and markets</b>	There is a risk that we fail to understand our competitors and markets and do not react at sufficient pace to global headwinds, such as rising costs, inflation, supply chain issues and interest rate rises, which leads to a loss in market share and margin with decreased profitability and therefore reduced cash to meet strategic plans.
<b>Customer</b>	There is a risk that we fail to understand or react in a timely manner to customer demands and needs given current cost challenges they face, leading to a loss in market share and profitability.
<b>Cyber and technology</b>	A failure to invest in technology may lead to the loss of key systems, systems that do not meet customer needs, or weaknesses in infrastructure that may be exploited and facilitate theft of data, cyber-attack or ransomware, significantly disrupting operations.
<b>Financial sustainability</b>	There is a risk that given the many global headwinds, that these may significantly reduce our profitability and therefore the cashflow required to fund our strategic plan.
<b>Health and safety</b>	Failure to comply with H&S regulations may result in death or injury to customers or colleagues.
<b>People</b>	Colleagues across the organisation are integral to the success of the Society. Failure to attract, develop, motivate and retain colleagues may mean that we are unable to deliver on our purpose or provide the quality services expected.
<b>Regulatory and legal</b>	The Society operates in a highly regulated environment, for example UKGDPR, CMA, HMRC, Health & Safety, General Pharmaceutical Council, FCA for pre-paid funerals, with new regulations appearing on the horizon regularly. Failure to identify, consider, adopt and comply, (or choose to exit because of them), with such regulations could lead to regulatory censure including significant fines or poor business strategic decisions.
<b>Reputation</b>	There is a risk that we act in a way, or fail to stop acting in a way, that damages our reputation with the public, colleagues or key partners leading to a loss in confidence impacting our market share and potential to do business or invest for the future.
<b>Suppliers</b>	The failure of key suppliers, or their ability to significantly alter terms of supply, could lead to an inability to provide products or services to meet customers needs or to run a profitable business area.

## Developing a risk aware culture

Risk culture is an essential element of effective risk management, underpinning how risk is embedded across the business and into decision making. The four component elements of our developing risk culture focus on:

- Setting an appropriate tone from the top and role modelling desired behaviours.
- Ensuring that senior leaders within the business are accountable for embedding risk management at all levels within the business and across all business units.
- Maintaining an open and transparent environment supporting open communications around all aspects of risk management.
- Ensuring that variable reward schemes align with the desired risk culture.

**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:** During the year a Board Whistleblowing Champion has been appointed and Safecall UK have been engaged who now provide a third-party independent reporting line to enable individuals wishing to report a concern at work to do so in a safe way. The Society maintains a documented Whistleblowing policy which is communicated to all employees. This is complemented by the Society's anti-fraud policy.

**Monitoring:** During the year, following the completion of a robust tender exercise, BDO LLP were engaged to serve as the Society's Internal Audit service provider in succession to Streets LLP. Since being appointed by the Board in June 2022 work has been underway to complete the transition to the new service provider. The use of an external service provider for this role gives flexibility, access to resources and specialist skills that would not otherwise normally be available and an external perspective. During the year the Board also agreed that Mazars should succeed KPMG as the Society's External Auditor. The Board would like to record its thanks to both KPMG and Streets for their service to the Society over many years.

## Prevention of bribery

The Society values its reputation for high legal, ethical and moral behaviour. It recognises that in addition to being a criminal act, involvement in bribery is also unethical and dishonest and will reflect adversely on its image and reputation. We aim to limit our exposure to bribery through:

- Adopting a zero tolerance stand to bribery.
- Having in place a clear anti-bribery policy setting out when gifts and hospitality may be given or received.
- Training colleagues so that they can recognise and avoid bribery by themselves or others.
- Encouraging colleagues to be vigilant and to report any suspicion of bribery, providing them with suitable channels of communication.
- Taking firm action against any individual involved in bribery.

No instances of bribery were identified during the year.

## Prevention of money laundering, terrorist financing and financial crime

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

## 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 3 September 2022 were 20 days. In the prior year this was 18 days.

## Culture

The Board is responsible for leading the development of the Society's culture through setting and exemplifying the highest standards of probity and integrity.

The Board is committed to ensuring that a diverse and inclusive culture is in place which enables all colleagues to feel accepted and valued. Fostering an appropriate culture encourages colleagues from all backgrounds to feel confident in their ability to achieve their best. They are likely to stay longer with the Society as a result. The Board also gains insight into the culture within the business through reviewing the outcome of colleague surveys and information presented to it from a wide range of sources.



With the easing of restrictions introduced by the government to help tackle the COVID-19 pandemic, it is now possible once again for Directors to spend time meeting Members to understand their concerns and priorities. We were pleased to welcome over 200 Members to our Half Year Members Meeting which took place on 11 June 2022 who were able to attend that meeting in person with a further 26 members attending the meeting virtually. During the year the Search and Membership Committee has started to review how the Society can connect with and communicate with Members in a modern and more engaging way. It is hoped that we will be able to share the outcome of this work with Members in the year ahead.

## **Board information**

It is important that the Board has full and timely access to all relevant information to enable it to discharge its duties effectively. The Chair is responsible for ensuring that all Directors are properly briefed on issues arising at Board meetings. The content of management information presented to the Board has continued to evolve during the year to ensure that it is reflective of the Society business model and operating environment, and to ensure it is sufficient to enable Directors to assess and monitor the Society's progress.

## **Independent Professional Advice**

All Directors have access to the advice and services of the Society's Secretary. Members of the Board may take independent professional advice at the Society's expense in the furtherance of their duties. The Society's Secretary is responsible for ensuring that Board procedures are followed.

## **Board induction and training programme**

The Chair is responsible for ensuring that new Directors joining the Board receive induction training, and subsequent ongoing training which is tailored to their individual needs and requirements. The Society's induction programme for Directors covers all aspects of the Society's operations and the regulatory environment in which the Society operates and also includes meetings and briefings with other Board members, members of the Senior Leadership Team and the Society's Secretary. This enables new members of the Board to function effectively as a Board member, as quickly as possible. It has been necessary to re-set the induction programme for recently elected directors due to the COVID-19 pandemic.

Keeping up to date with key business developments is essential in order to ensure that Directors properly discharge their responsibilities. This is achieved through:

- Presentations made to the Board from industry specialists and senior managers drawn from within the business on key developments and significant matters;
- Providing the Board with updated financial plans, budgets and forecasts which are regularly reviewed and discussed;
- Providing Board members with access to external training sources; and
- Providing the Board with regular updates on the economic and regulatory environments within which the Society operates.

The Society's Secretary maintains an ongoing Board training and development programme and during 2021/2022 the following areas were addressed through a number of avenues:

- Corporate governance;
- Economic environment;
- Marketplace developments;
- Cyber security;
- Directors Duties; and
- Risk Management Framework.

## **Individual performance evaluation**

During 2022 the Society's Chair working in conjunction with the Society's Secretary have established a new framework to ensure that the performance and contribution of all Directors (including the Board Chair) is subject to annual evaluation. The Chair is responsible for assessing annually the performance and contribution of Directors and the Chief Executive Officer. During 2022 the Society's then President and the Society's Secretary led the evaluation of the Chair's performance and contribution in conjunction with the other Board members. The Chief Executive Officer is responsible for carrying out the annual performance appraisal for each of member of the Senior Leadership Team.

## **Board Effectiveness Review**

The collective effectiveness of the Board is subject to an external evaluation every three years with the latest review being conducted during the 2020/2021 financial year. This was performed by Round Governance who specialise in helping firms achieve good standards of governance. The principal finding arising from review was that Board members had a broad range of experience, and professional background. However, it was recognised that the work of the Board would be improved through further strengthened accounting experience at Board level.

The themes arising from the review which has resulted in action being taken to further strengthen Board governance include:

- Board composition (skills and competences of the existing Board);
- Potential gaps of skills, experience and knowledge of the Board looking forward;
- Individual Director skills and experience;
- Division of responsibilities of the Board; and
- Horizon scanning.

During the year work has continued which has been led by the Society's Chair and Society Secretary to address the recommendations contained in the report noted above. A further externally facilitated review of the Board's effectiveness is now scheduled to take place in 2023.

## Stakeholder engagement

The Board recognises the diverse range of our stakeholders and the importance of assessing and understanding their needs. As a co-operative, we put our Members and the communities served by the Society at the centre of all the decisions made by the Board, taking into account the views and needs of all our key stakeholders. Listening to, and acting upon, the views of our stakeholders helps us to fulfil our Purpose and to develop our strategy in a way that continues to benefit our key stakeholder groups over the long-term. It is important that Directors are able to hear the views of a wide range of stakeholders alongside those of Members, customers and colleagues at all levels of the business to better understand matters which are of direct interest to them.



Directors are required to act in the way they consider, in good faith, would be most likely to promote the success of the Society for the benefit of Members as a whole and in doing so have regard to a number of key areas:

- The likely consequences of any decision in the long-term.
- The interests of employees.
- Maintaining and fostering constructive and co-operative relationships with wider stakeholder groups (as above).
- Maintaining a reputation for high conduct standards.

The Society recognises it is part of both the local and global communities and that consequently our operations impact a wide range of stakeholders. During 2021 we appointed a new Sustainability Advisor further demonstrating the importance placed by the Society of taking positive steps to reduce the impact of the Society's activities on the environment. The Society has set a goal of reducing our directly controlled (scope 1) climate change emissions by 75% by 2030 with remaining emissions being off-set. During the year work has continued to develop and deliver on the Society's Environmental Action Plan more information on this and our approach to environmental and climate change matters can be found on page 16 to 17.

We engage with the local communities that we serve at a local level through our 9 Community Co-ordinators. With the easing of COVID-19 restrictions we are once again able to engage directly with our Members. Details of the ways in which we have done this can be found on page 12. During the year members of the Search and Membership Committee have commenced looking at how we can further develop our Membership engagement strategy to be fit for the future.

During the year, for the first time, we have surveyed tenants who occupy Society owned premises in order to better understand the views of that stakeholder group. This has enabled us to identify where we can take steps to further improve the services we provide to our tenants and to support them to succeed.

Details of our Supplier Payment Policy can be found on page 28. Our Modern Slavery Statement, which is reviewed and approved annually by the Board, can be located on the Society's website.

Further details on our stakeholders and why they are important to us along with an example of how stakeholders are taken into account as part of the decision-making process can be found throughout other sections of this report.

## Annual Members' Meeting (AMM)

As a Co-operative we are owned by our Members and the Society's Board is answerable and accountable to the Society's Members. The Board is committed to and proud of the Society's co-operative heritage and works proactively to balance Member's interests with those of other stakeholder groups.

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

## Compliance statement

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

**Member Voice, Participation and Engagement (Code Principle 1 Provisions 1&2):** The Code requires the board to draft a statement explaining the democratic structure of the Co-op and to develop communications that clearly define the role of members in the structure. The board tells Members about the structure and democratic nature of the Society in a number of different ways including through the Annual Report and Accounts, member magazines and via social media.

**Member value (Code Principle 2 Co-operative Leadership and Purpose Provision 2):** The Code requires the Board to draft a statement providing details of the value generated for membership. No specific statement to this effect is included in the Annual Report and Accounts as the Board tells Members about the value it generates in a number of different ways including through member magazines, email, via the Society's website and social media.

**Remuneration of the Board and Executive Leadership (Code Provision 1):** The Code requires details of individual packages of the chair, chief executive, secretary and members of the executive leadership team (if applicable) and the process by which their remuneration fees have been determined should be provided in the annual report. Details of the individual remuneration packages of the Chief Executive Officer and members of the Senior Leadership team are not disclosed, or put to Members for an advisory vote, but an explanation of this is contained in the Remuneration Committee report and further information is contained within the financial statements.

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



*Michael Borrill*

Michael Borrill



*Ursula Lidbetter*

Ursula Lidbetter



*David Cowell*

David Cowell

The Search and Membership Committee is pleased to present its report to members for the year ended 3rd September 2022.

The Search and Membership Committee is made up of five members and is Chaired by Jane Moate. The Group Secretary acts as Secretary to the Committee. The Head of Marketing and Membership attend meetings of the Committee at the invitation of the Committee's Chair. The Society's President has a standing invitation to attend meetings of the Committee but is not a member of the Committee.

During the year to 3rd September 2022 a number of changes were made to the membership of the Committee as follows:

- Stephen Hughes and James Scott joined as new members of the Committee.
- Stuart Parker and the Rev. Barbara Hutchinson retired as members of the Committee.
- Jane Moate succeeded the Rev. Barbara Hutchinson as the Committee's Chair.

As at 3rd September 2022 the Committee's membership comprised:

Jane Moate (Committee Chair)  
Stephen Hughes  
James Scott  
Julia Romney  
Nicola Berry

The overlap of membership between the Committee, the Audit and Risk Committee and the Remuneration Committee is one of the mechanisms for ensuring that the linkage between the Search and Membership Committee and other Board Committees avoids gaps or unnecessary duplication.

During the year the remit of the Search Committee was extended to incorporate responsibility for oversight of Membership related matters.

A significant proportion of the Committee's time throughout 2021/22 has been dedicated to:

- Helping the Society's Board determine the timetable for the future election of new Board members.
- Reviewing and recommending to the Board proposed changes to the Board Competency Framework.
- Determining the future skills sets required to ensure that the Society's Board is equipped to meet current and future challenges. All new Board members undergo a tailored and comprehensive induction programme on appointment.
- Helping the Board with work to review the Society's Membership Strategy.
- Taking forward work to develop greater insight into the make-up of the Society's membership in order to help foster improvements in the way in which the Society engages and communicates with its Members.
- Reviewing the Board and Senior Management Succession Plans.

During the year the Committee received external support from Round Governance where considered necessary.

The role of the Search and Membership Committee is to:

- Ensure that the Board is of an appropriate size and has an appropriate balance of knowledge, skills and experience to lead the business. The Society's Board is strongly committed to promoting diversity and making appointments on merit, against objective criteria.
- Oversee succession planning at Board and senior management level.
- Promote active engagement with the Society's Members.
- Assess and understand Member priorities and to make appropriate recommendations to the Society's Board as to how to add to the value of being a Member of the Society.



## CEO and General Counsel/Society Secretary recruitment

During the year the Committee's Chair and Stephen Hughes have been part of a Recruitment Group formed by the Board to take forward work to recruit both a new Chief Executive Officer and General Counsel/Society Secretary. The other members of that Group are David Cowell (Society Chair) and Ian Haldenby (Chair of the Audit and Risk Committee). The recruitment specialists DMJ Legal were engaged to support work to recruit a new General Counsel/Society Secretary in succession to Jane Powell. The recruitment specialists Green Park (who have no other relationships with the Society) have been engaged to support work to recruit a new CEO in succession to Ursula Lidbetter.

## Board member elections and members wishing to stand for election to the Society's Board

Board member elections normally take place annually. Due to the impact of the COVID-19 pandemic elections to be held in 2020 were postponed and elections held in 2021 did not take place until November 2021. In light of the timing of those elections and, after careful consideration, the Society's Board agreed, on the recommendation of the Search and Membership Committee, that elections to be held in 2022 should be postponed. Elections to be held in 2023 have been scheduled to take place in May/June 2023.

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

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 [lincolnshire.coop/boardofdirectors](https://lincolnshire.coop/boardofdirectors)

## Other matters

Following each Search and Membership Committee meeting, the Chair of the Committee provides a verbal update to the Board on matters considered by the Committee. In addition, the Board also receives the minutes of Committee meetings.

## Approval:

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



*Jane Moate*

**Jane Moate**  
Search and Membership Committee Chair

### The Audit and Risk Committee is pleased to present its report to members for the year ended 3rd September 2022.

The Audit and Risk Committee is made up of five members and is Chaired by Ian Haldenby. The Group Secretary acts as Secretary to the Committee. The Chief Executive Officer and Chief Financial Officer attend meetings of the Committee at the invitation of the Committee's Chair. The Society's external auditors and internal auditors also attend meetings of the Committee. The Committee holds regular private meetings with the Society's external auditors and internal auditors.

During the year to 3rd September 2022 a number of changes were made to the membership of the Committee as follows:

- Claudia Nel and Jackie Munn joined as new members of the Committee.
- Stuart Parker and David Cowell retired as members of the Committee.

As at 3rd September 2022 the Committee's membership comprised:

Ian Haldenby (Committee Chair)

Stephen Hughes

Jackie Munn

Claudia Nel

Richard Wills

The Committee's Chair has recent and relevant financial experience in accordance with the UK Corporate Governance Code. The Board continues to be satisfied that the Committee has the requisite levels of knowledge and understanding relevant to the markets in which the Society operates. The overlap of membership between the Committee, the Search and Membership Committee and the Remuneration Committee is one of the mechanisms for ensuring that the linkage between the Audit and Risk Committee and other Board Committees avoids gaps or unnecessary duplication.

A significant proportion of the Committee's time throughout 2021/22 has been dedicated to:

- Completing a tender process leading to the engagement of Mazars as the Society's External Auditors.
- Completing a tender process leading to the engagement of BDO as the Society's Internal Auditors.
- Helping the Board with work to establish a new risk and assurance framework.
- Reviewing and recommending to the Society's Board the Society's financial statements.

The role of the Audit and Risk Committee is to:

- Assist the Board in fulfilling its oversight responsibilities in respect of matters relating to financial reporting, internal control, and internal and external audit. The Committee acts as Audit Committee for the Society and its operating subsidiary businesses including LSIP – Lincolnshire Science and Innovation Park.
- Ensure that the key accounting policies and judgements supporting the Society's financial statements are appropriate. This work is supported by the Society's external auditor.
- Monitor and review the financial reporting process, internal control and risk management systems, and the effectiveness of the assurance framework.
- Ensure that there is proper consideration and assessment of future risks ensuring that management develop appropriate strategies to mitigate the risks to which the business is exposed.
- Ensure the continued safety and security of the Society by ensuring all principal and significant emerging risks are identified, managed, monitored and mitigated as effectively as possible and to within risk appetite and tolerance.
- Monitor and ensure good governance principles are applied throughout the business.

### Going concern and viability assessment

During the year, the Committee has received reports from the Chief Financial Officer outlining the basis on which it is reasonable for the Society to continue to prepare its financial statements on a going concern basis and has continued to be satisfied that it is appropriate to consider the viability assessment over a 18 month planning horizon. As part of its assessment, the Committee has taken into consideration changes affecting the macro-economic environment and the continuing operational impact and key risk areas associated with the COVID-19 pandemic.

Mazars, as the Society's external auditor, have reported on year-end financial statements and the Committee considered the external auditors report prior to recommending approval of the financial statements to the Board. Mazars has reported to the Committee on the work carried out in relation to the most significant areas of audit risk and where accounting assumptions

and estimates have been applied by management. Management confirmed to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. Mazars calculated its materiality level and the clearly trivial threshold which were presented to the Committee at the planning stage, and these were accepted by the Committee.

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

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

## **Assessment of internal controls/oversight of the internal control framework**

### **Internal audit**

The Committee is responsible:

- For recommending to the Society's Board changes affecting the appointment of the Society's Internal Auditor. Following the conclusion of a tender of the internal audit engagement the Committee recommended to the Society's Board that BDO should succeed Streets as the Society's Internal Audit service provider. The Board approved this recommendation at its June 2022 meeting. The Committee would like to thank Streets for its valuable service as the Society's Internal Auditor since being appointed to that role.
- For approving the annual Internal Audit plan and normally receives regular reports from the Internal Auditor of results of any unsatisfactory audits and associated action plans, and progress of management's implementation of audit recommendations and adherence to the control framework.

As a consequence of completing the tender for the Internal Audit engagement, the scope of assurance work conducted by the Internal Auditor has not been as extensive in 2021/2022 as in prior years. This factor will inform the scope and prioritisation of Internal Audit work to be undertaken in 2022/2023.

In order to preserve the independence of the Internal Auditor, the Internal Auditor has direct access to the Chair of the Committee and also has direct access to the Society's Chair.

### **Systems of control**

Good systems of control help to safeguard assets and facilitate the effectiveness and efficiency of day-to-day operations. Management is responsible for establishing and maintaining the control environment. The Committee is responsible for monitoring and ensuring the operating effectiveness of those controls. This work is primarily driven through the work performed by the Internal Audit function augmented by the provision of separate assurance from other sources within the business. The Committee is actively involved in planning the work undertaken by the Internal Auditor which is designed to reflect a risk-based approach based on the Society's operations. The Committee receives regular reports on the operating effectiveness of the systems and controls framework including financial controls, internal control regulatory reporting framework and risk management systems.

## **Whether the Annual Report taken as a whole is fair, balanced and understandable and provides the necessary information for the Society's members to assess the Society's performance, business model and strategy**

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

- Changes to regulatory requirements, including the Co-operative Governance Code, are considered on an ongoing basis.
- Key accounting judgements are presented to the Audit Committee for approval.
- Whether the description of the Society's business model is accurate; whether the narrative reports explain the financial statements; whether the principal risks and uncertainties faced by the Society are clearly described, together with mitigating actions and whether the Society's liquidity positions over the next year is adequate to support the going concern assessment.
- Whether there are any significant control weaknesses, or failings which should be brought to the attention of the Society's Members.

- A thorough process of review and evaluation of the inputs into the accounts to verify accuracy and consistency, including review by senior management.
- A meeting of the Audit Committee to review and consider the draft Annual Report and Accounts in advance of the final sign-off. The Chair of the Audit Committee reports the Committee's conclusions to the Board and final sign-off is provided by the Board of Directors. As part of the Committee's assessment of the Annual Report and Accounts, prior to reporting to the Board on this topic, the Committee draws on reports prepared by and discussions with the Chief Financial Officer. The Committee is satisfied that senior members of the Finance team are fully familiar with the fair, balanced and understandable requirement. The Committee receives assurance from members of the Senior Leadership Team that they consider the content for which they are responsible is fair, balanced and understandable.

### Auditor independence and effectiveness

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

### During the year, the Committee has:

- Reviewed the external auditor engagement and after careful consideration of a number of proposals recommended to the Society's Board that in succession to KPMG, Mazars should be appointed as the Society's external auditors taking effect in time for the preparation of the Society's 2022 Annual Report. The Committee would like to record its thanks to KPMG for their valuable service to the Society since being appointed as the Society's external auditors.
- Reviewed and approved the external auditor's overall work plan which further ensures that the process is effective. In order to safeguard auditor objectivity and independence, the Committee maintains a formal policy which governs the engagement of the external auditor for non-audit services. The policy is designed to ensure that the provision of such services does not have an impact on the external auditor's independence and objectivity. This policy identifies services which can only be undertaken with appropriate authority from the Committee where non-audit fees will exceed pre-set thresholds. The external auditor may only provide such services if such advice does not conflict with their statutory responsibilities and ethical guidance. The Committee receives regular information on the fees paid for non-audit work to the audit firm, an annual report on the non-audit services being provided and the cumulative total of non-audit fees. Details of the audit fee can be found on page 54.

### Risk management

During the year the Committee has overseen the steps being taken by management to enhance and embed a more comprehensive Enterprise-wide Risk Management Framework (ERMF), including the identification of the principal risks to which the Society and its subsidiary businesses are exposed as a consequence of its diverse business model and the development of risk appetite measures in respect of these risks. This work will enable the Committee to regularly assess and monitor risk exposure against risk appetite and support the Board in setting the Society's overarching appetite for risk.

The ERMF codifies the Board's approach to managing risk and oversight arrangements by defining and documenting the Society's: purpose and objectives; risk appetite and tolerance; governance; and control systems.

### Risk culture

The Society places significant emphasis on ensuring that a high level of engagement is maintained at all levels across the organisation with regard to the awareness and effective management of risk. A key element of the Society's risk culture is a genuine emphasis on putting Members' interests and needs first.



## Risk appetite and tolerance

The Society's Board is responsible for approving risk appetite statements identifying and defining the types and levels of risk it is willing to accept in the pursuit of its strategic goals. This provides the business with a framework within which decision making and planning can be undertaken. Board risk appetite statements are linked to the Society's strategy and are supported by a broad suite of risk metrics, appetites and tolerances, designed to monitor the Society's exposure to principal and key related risks.

## Other matters

Following each Audit and Risk Committee meeting, the Chair of the Committee provides a verbal update to the Board on matters considered by the Committee. In addition, the Board also receives the minutes of Committee meetings.

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: [lincolnshire.coop/boardofdirectors](http://lincolnshire.coop/boardofdirectors)

## Approval:

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



*Ian Haldenby*

**Ian Haldenby**

**Audit and Risk Committee Chair**

### The Remuneration Committee is pleased to present its report to members for the year ended 3rd September 2022.

The Remuneration Committee is made up of five members and is Chaired by Stephen Hughes. The Group Secretary acts as Secretary to the Committee. The Chief Executive Officer, Head of People and Performance and Chief Financial Officer attend meetings of the Committee at the invitation of the Committee's Chair. During the year to 3rd September 2022 a number of changes were made to the membership of the Committee as follows:

- Stuart Parker and the Reverend Barbara Hutchinson retired as members of the Committee.
- Jane Moate, Ian Haldenby and Claudia Nel joined as new members of the Committee.
- Stephen Hughes succeeded Stuart Parker as Chair of the Committee with effect from January 2022.

#### As at 3rd September 2022 the Committee's membership comprised

Stephen Hughes (Committee Chair)  
David Cowell  
Jane Moate  
Claudia Nel  
Ian Haldenby

The overlap of membership between the Committee, the Audit and Risk Committee and the Search and Membership Committee is one of the mechanisms for ensuring that the linkage between the Remuneration Committee and other Board Committees avoids gaps or unnecessary duplication.

#### A significant proportion of the Committee's time throughout 2021/22 has been dedicated to:

- Ensuring that the Society's variable pay approach remains appropriate for members of the Senior Leadership Team and all colleagues and is reflective of both the Society's purpose and co-operative principles.
- Ensuring reward arrangements are fair and competitive across all colleagues.
- Helping the Board to set appropriate remuneration levels for the Society's Chair and Chair of the Audit and Risk Committee that are reflective of the time commitment presently required of those role holders and the experience they bring to the affairs of the Society's Board. The Society aims to attract and retain talent at all levels, including at Board level.

#### The role of the Committee is to assist the Board in setting the Society's Remuneration Policy. In doing so the Committee:

- Ensures that remuneration policies, principles and practices are appropriate to enable the business to attract, retain and reward people with the right skills, experience, knowledge and behaviours to support achievement of the Society's purpose, goals and objectives.
- Maintains policies which are consistent/compliant with applicable governing legislation and regulations.
- Ensures that remuneration arrangements support and encourage desired risk aware behaviours and culture.
- Ensures that appropriate governance of remuneration practices across the Society and its subsidiary businesses is in place.

The Society aims to make the remuneration policy as transparent, clear and simple as possible. When designing aspects of remuneration, the Committee considers the appropriateness for a Member owned organisation and alignment to our culture, whilst the quantum is carefully positioned to be proportionate to the challenges, encourage the right behaviours and discourage excessive risk taking.

In April 2022 the Society published its fourth gender pay gap report. This is set out at the foot of this report.

### Directors

The Society's members approve the directors' fees. Members last considered directors fees at the Society's half yearly meeting held on 3rd June 2021, when the current level and basis for determining directors' fees was agreed. Fees are updated each year in line with the index of average earnings, as approved by members. The present flat rate fees are:-

	2021/2022
<b>Society President</b>	£ 10,404
<b>Society Vice-President</b>	£ 9,537
<b>Board Chair</b>	£ 14,280
<b>Directors</b>	£ 8,670

All members of the Remuneration and Audit and Risk Committees receive an additional sum of £387.44 per committee.

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

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

	Year ended 4 September 2021	Year ended 3 September 2022
Jane Moate	£56,387	£13,055 (See also note below)
Claudia Nel	£57,029	£14,310 (See also note below)
David Cowell	£68,394	£84,874 (See also note below)
Ian Haldenby	£7,824	£23,822 (See also note below)
Stephen Hughes	£8,094	£9,649
Nicola Berry	£7,339	£9,061
Jackie Munn	N/A	£6,263 (Joined Jan 2022)
Richard Wills	£7,717	£8,994
Margaret Tranter	£7,716	£7,074 (Retired July 2022)
Julia Romney	£7,339	£8,624
James Scott	N/A	£6,191 (Joined Jan 2022)
Stuart Parker	£10,000	£2,890 (Retired Dec 2021)
Rev Barbara Hutchinson	£7,717	£2,739 (Retired Dec 2021)

## Board Chair and Chair of the Audit and Risk Committee

In addition to their normal annual fees:

- The Board Chair receives additional remuneration of £72,000 per annum (agreed by the Society's Board March 2022 backdated to 1 January 2022) in recognition of the skills, experience and additional time and duties expected of him in the oversight of changes taking place at a senior level within the Society. The additional remuneration paid to the Chair in the year to 3 September 2022 was £70,000.
- The Chair of the Audit and Risk Committee receives additional remuneration of £13,200 per annum (agreed by the Society's Board in June 2022 backdated to 1 January 2022) in recognition of the need to attract an individual with recent and relevant experience and the additional time expected of him in the oversight of changes taking place in the Society's assurance framework. The additional remuneration paid to the Chair of the Audit and Risk Committee in the year to 3 September 2022 was £14,701.

Note: In addition to their normal fees Jane Moate and Claudia Nel received additional remuneration of £2,475 and £4,125 respectively in recognition of the skills, experience and additional time and duties expected of them in the year to 3 September 2022.

## Pay

Members of the Committee are alert to the potential impact of the increase in the cost of living on colleagues. In determining senior pay levels, the committee takes into consideration changes in reward levels for all colleagues across the organisation.

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

## Changes to the Senior Leadership Team (SLT)

As noted earlier in the report, Jane Powell (Group Secretary) retired during the 2021/2022 financial year and Ursula Lidbetter will retire from the Society in December 2022. In-line with the Society's Remuneration Policy, the remuneration package for any new members of the SLT is subject to the same considerations as existing members of the SLT. Where appropriate action has been taken to introduce revised notice periods for new and existing members of this team in line with current market practice.

## Executive and Senior Leadership emoluments

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.

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

The emoluments of the senior leadership team paid during the year including salary, performance related pay, settlement, bonus, pension contributions and taxable benefits fell into each £10,000 bracket as below.

When there have been changes in the senior leadership team, as in 2021, the emoluments represent the time whilst in position. To prepare for a new payroll system the payment dates of the leadership team, including the senior leadership team, have been aligned to other colleagues, this reduced the emoluments by one week in this year.

The services of the current interim group secretary are provided through Addleshaw Goddard LLP and fees of £120,128 have been incurred in relation to this.

Mrs C Finn, wife of Mark Finn Chief Retail Officer, provided therapist services to the Society to the value of £10,720. Mark Finn has no involvement in the procurement of these services.

	2022 number	2021 number
£50,000-£60,000	1	
£100,000-£110,000	1	
£110,000-£120,000	1	1
£120,000-£130,000		1
£130,000-£140,000		1
£140,000-£150,000	1	1
£150,000-£160,000		1
£160,000-£170,000	1	
£170,000-£180,000	1	
£230,000-£240,000	1	1
£240,000-£250,000		1
£280,000-£290,000	1	
£290,000-£300,000		1
£550,000-£560,000	1	
£660,000-£670,000		
£710,000-£720,000	1	1

## External advice

The Committee obtains advice from external professional advisers. Co-operatives UK has advised the Committee on a number of remuneration matters in the year (including providing benchmarking information on the remuneration of the Chair of the Audit and Risk Committee), using industry data through that organisation's partnership with the Hay Group. This year the Committee has also been advised by Willis Tower Watson (who have benchmarked the CEO's remuneration arrangements) and information has been sourced from Cendex (who have benchmarked the Group Secretary's remuneration arrangements). During the year Co-operatives UK has also provided advice in relation to revising the Chief Executive Officer's job description in advance of recruitment being undertaken for this role.

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

## Remuneration principles and policy

No individual is involved in determining their own remuneration. We have considered our remuneration principles and policy in relation to our Society Purpose, 'Bringing together ideas, energy and resources to make life better in our communities'. This includes:

### 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, position on risk, as well as its culture and ethos as a Member owned co-operative.
- To set remuneration at a level sufficient to attract and retain talented individuals with the necessary experience for key leadership roles, with the careful balance of not paying more than is necessary and spending our Members money wisely.

### Growing a community of members

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

### Helpful, inspiring and trustworthy

- To operate simple and clear remuneration structures across the organisation.
- The executive remuneration policy is published on the Society's website and in its annual directors' report to make it accessible.



## Developing people

- To attract, motivate, reward and retain high quality people who can ensure that the Society continues to deliver value to its members and to be profitable in a competitive and often uncertain environment. This is done by positioning all aspects of pay and benefits, both in terms of total amount and structure (i.e. the balance of fixed and variable pay), at around market levels for similar roles within the UK co-operative sector, as well as more broadly where this is appropriate.
- To ensure that remuneration practices are consistent with, and encourage the principles of, equality and belonging.
- To consider wider colleague pay when determining that of our Senior Leaders.
- 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 Purpose and Approach.
- 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.

The Remuneration Committee is satisfied that the Society's remuneration policy operated as intended throughout 2021/2022

## CEO pay ratio

The CEO pay ratio provides a snapshot of the overall pay gap that exists between the CEO (typically the highest paid person within the organisation) and the average employee in the same organisation and is calculated using the single total figure of remuneration which includes total salary, variable pay, pension and taxable benefits.

The Society has chosen to publish the CEO pay ratio using Option C, which shows that the CEO pay is 31.1 times that of the median colleague pay (this means that when all colleagues' pay is listed from highest to lowest, the median is the middle value in that list):

Year	Method	25th percentile ratio	Median (50th) pay ratio	75th percentile ratio
2022	Option C	31.1	31.1	28.7

Our fair pay agenda outlines our commitment to ensuring that reward (including base pay, variable pay and benefits) is transparent, fair, free from discrimination and aligned to the external market. Member of the Remuneration Committee are content that the CEO pay ratio is consistent with the Society's wider policies on pay, reward and progression.

## Management bonus schemes

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

## Colleague profit share

The Society operates a colleague profit share scheme. Subject to Board approval, all eligible colleagues receive a profit share payment equivalent for each half year of trading. For the year to March 2022, colleagues received the equivalent of 50% of a weekly wage and for the half year to September they were awarded a bonus of 45% of a weekly wage.

## Gender Pay Report – as at 5th April 2021

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

Our full Gender Pay Report for the period to 5th April 2021 can be found on the Society's website: [lincolnshire.coop/financialreports](https://lincolnshire.coop/financialreports)

Compared to the previous reporting period, the number of males within scope increased by 25, whereas the number of females fell by 95. Nationally, more females work in part-time roles than males, which impacts gender pay results and our data reflects this.

- 73% of our colleagues are female of which 26% work full-time
- 27% of our colleagues are male of which 40% work full-time
- 56% of our managers are female
- 50% of our Board of Directors are female

## Gender pay gap

- Our mean hourly pay gap is 20.2% compared to 19.9% in 2020.
- Our median hourly pay gap is 6.52% compared to 3.0% in 2020.

## Gender pay versus equal pay

The gender pay gap is often confused with equal pay, however the two are not the same.

Equal pay is the right for males and females to be paid the same rate when carrying out the same jobs or similar jobs or work of equal value. The majority of our roles attract a fixed rate of pay, regardless of the gender or age of the colleague performing that role.

Gender pay is a measure of the difference between male and female average earnings across an organisation. Having a gender pay gap does not mean that there is an equal pay issue within an organisation. There can be a number of reasons for this, including a gender imbalance in different levels of roles, or if a particular type of role is dominated by one sex.

Lincolnshire Co-op is an equal pay employer and adheres to equal pay legislation.

## Committee Terms of Reference

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 [lincolnshire.coop/boardofdirectors](https://lincolnshire.coop/boardofdirectors)

## Other matters

Following each Remuneration Committee meeting, the Chair of the Committee provides a verbal update to the Board on matters considered by the Committee. In addition, the Board also receives the minutes of Committee meetings.

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: [lincolnshire.coop/boardofdirectors](https://lincolnshire.coop/boardofdirectors)

## Approval:

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



*Stephen Hughes*

**Stephen Hughes**

**Remuneration Committee Chair**

## Opinion

We have audited the financial statements of Lincolnshire Co-operative Limited for the period ended 3 September 2022 which comprise the Group Revenue Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Funds Employed and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 3 September 2022 and of the Group's surplus for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

## Basis for opinion

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

## Conclusions relating to going concern

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

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

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

## Other information

The other information comprises the information included in the Directors' Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Board of Directors are responsible for the other information contained within the Directors' Report and Financial Statements.

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

We have nothing to report in this regard.

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

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

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

## Responsibilities of the Board of Directors

As explained more fully in the directors' responsibilities statement set out on page 45, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not

a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

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

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

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

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

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

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

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

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

### Use of the audit report

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

### Other required reporting

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

Jennifer Birch CA (Senior Statutory Auditor) for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
First Floor  
2 Chamberlain Square  
Birmingham  
B3 3AX  
Date

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

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

Co-operative and Community Benefit Society law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

In preparing the Group financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

## Board Certification

The financial statements on page 46 to 66 are signed on behalf of the Board of Directors pursuant to the Co-operative and Community Benefit Societies Act 2014.

**David Cowell** Chair

**Ian Haldenby** Director

**Michael Borrill** Interim Group Secretary



### General information

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

### Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The financial statements are prepared on the historic cost basis except that property and funeral plans are stated at their fair value.

At 3 September 2022, the net assets of the Society were £310,531,000 and net current assets were £22,062,000. The Group has bank facilities of £19,000,000 with cash at bank at the year end of £27,620,000. Trading surplus remains robust and the Society has adequate resources to continue in operational existence for the foreseeable future.

The directors have prepared detailed cashflow forecasts for an 18 month period from the year end date, which take into account the Society's liquidity and its available banking facilities, including the financial covenants attached to those facilities. In preparing this assessment, the directors have considered reasonably plausible downside scenarios which reflect any ongoing impacts from the current economic challenges including increased energy costs for the society and potential impacts on sales revenue due to customer spending habits changing. The plausible downside forecasts indicate that the Group has sufficient liquidity, and the ability to operate within its financial covenants throughout the going concern period, such that it is able to continue to meet its liabilities as they fall due.

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

### Basis of consolidation

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

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

A joint venture is a contractual arrangement in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity.

The Group's share of the profits of jointly controlled entities is included in the Group Revenue Account and its interest in their net assets is recorded on the Group Balance Sheet using the equity method.

### Gross sales

Gross sales is a voluntary disclosure and includes cash sales, pharmacy and NHS income, funeral income, post office income and property rental income, inclusive of value added tax. Sales are recognised to the extent that it is probable that the economic benefits will flow to the Group and the sales can be reliably measured.

Gross sales also includes the total amount paid for travel sales by customers at the point of booking rather than the value of actual commission received by the society. As a voluntary disclosure this does not follow the principles of FRS102

### Turnover

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

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

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

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

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

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

### Repairs

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

### Government Grants

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

### Assets leased to the group

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

## Taxation

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

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

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

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

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

## Intangible assets and impairments

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

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

## Tangible fixed assets and depreciation

Trading properties are included at current fair values after being subject to depreciation at the appropriate rate and to impairment charges where appropriate.

Other fixed assets are stated at their acquisition cost and are depreciated over their expected useful lives to their estimated residual values by equal instalments based on the following minimum rates:

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

## Investment properties

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

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

## Investments

Fixed asset investments, 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.

## 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.

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

## Funeral benefits

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

## Stocks

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

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

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

## Debtors

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

## Cash and liquid resources

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

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

## Creditors

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

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

### Loans and borrowings

Bank loans are measured at amortised cost.

### Dividend and dividend bonus

A charge is made to the Group Revenue Account which represents the amount accounted for as dividend in the year together with the dividend bonus approved in the financial year.

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

### Provisions

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

### Reserves

The Revenue reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

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

### Pension costs

#### Defined Benefit Scheme

The Society operates a defined benefit scheme. The assets of this scheme are held separately from those of the Society. The scheme closed to new entrants in December 2012 and to future accrual in December 2020.

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

#### Defined Contribution Scheme

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

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

### Accounting estimates and judgements

Key sources of estimation uncertainty:

#### Pension assumptions

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

Critical accounting judgements:

#### Property valuation

Land and buildings are revalued each year by an external Chartered Surveyor. Valuations require the use of estimates including such matters as rental tone, market yields, disposal values and void periods. The valuations are detailed in notes 9 and 10.

#### Goodwill impairment

The carrying value of goodwill and other intangible assets is assessed each year against the current value of future cashflows expected, or fair values, less costs to sell as detailed in note 8.

## Group Revenue Account

Year Ended 3rd September 2022	Note	2022 (52 weeks) £'000	2021 (52 weeks) £'000
Gross sales (including vat)		398,783	355,165
Less: value added tax		(34,075)	(30,651)
Turnover (including agency turnover)		364,708	324,514
Less: agency share of turnover (net of cancellation provisions)		(24,911)	(1,020)
Turnover	1	339,797	323,494
Less: cost of sales		(232,757)	(219,827)
Gross profit	1	107,040	103,667
Less: expenses – ordinary trading	2	(88,972)	(84,581)
Other operating income	3	-	289
		18,068	19,375
Less: expenses – member benefits and grants	6	(1,506)	(1,150)
Trading surplus	1	16,562	18,225
Surplus on sale of fixed assets		2,475	316
Deficit on revaluation of property		(628)	(1,038)
Operating surplus		18,409	17,503
Group share of surplus in joint ventures	11	-	51
Net finance charges	5	(499)	(874)
Surplus for the year before payments to and on behalf of members		17,910	16,680
Less: payments to and on behalf of members	6	(3,585)	(3,527)
Surplus for the year before taxation		14,325	13,153
Taxation	7	(2,558)	(2,647)
Surplus for the year		11,767	10,506
Attributed to:			
Non-controlling interests		(486)	(415)
Transferred to reserves		12,253	10,921
		11,767	10,506

The accounting policies on pages 46 to 48 and the notes on pages 54 to 66 form part of these accounts

## Group Statement of Comprehensive Income

Year Ended 3rd September 2022

		<b>2022 (52 Weeks) £'000</b>	<b>2021 (52 Weeks) £'000</b>
<b>Retained surplus for the year</b>	Note	<b>11,767</b>	10,506
Unrealised deficit on revaluation of trading properties		<b>(411)</b>	(205)
Share Interest		<b>(10)</b>	(10)
Current tax on share interest		<b>2</b>	1
Actuarial gain on pension scheme		<b>44,506</b>	25,269
Deferred tax on actuarial gain	14	<b>(14,255)</b>	(4,800)
Deferred tax gain on corporation tax rate change		-	1,062
<b>Total comprehensive surplus for the year</b>		<b><u>41,599</u></b>	<b><u>31,823</u></b>
<b>Attributable to:</b>			
Non-controlling interests	16	<b>(486)</b>	(415)
Transferred to reserves		<b><u>42,085</u></b>	<b><u>32,238</u></b>
		<b><u>41,599</u></b>	<b><u>31,823</u></b>

*The accounting policies on pages 46 to 48 and the notes on pages 54 to 66 form part of these accounts*



## Group Balance Sheet

As at 3rd September 2022	Note	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Intangible assets	8	7,731	8,821
Tangible assets	9	102,089	100,072
Investment properties	10	161,621	163,134
Investments	11	290	44,652
Share of joint venture	11	29	149
		<b>271,760</b>	<b>316,828</b>
<b>Current assets</b>			
Stocks - goods for resale		12,925	11,342
Debtors			
- amounts falling due within one year	12	22,156	25,740
- amounts falling due after more than one year	12	883	5,557
Investments	11	-	3,000
Cash at bank and in hand		27,620	36,026
		<b>63,584</b>	<b>81,665</b>
<b>Creditors: amounts due within one year</b>			
Creditors	13	36,751	47,715
Dividend	13	4,771	5,008
		<b>41,522</b>	<b>52,723</b>
<b>Net current assets</b>		<b>22,062</b>	<b>28,942</b>
<b>Total assets less current liabilities</b>		<b>293,822</b>	<b>345,770</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<b>(1,446)</b>	<b>(57,595)</b>
<b>Provision for liabilities</b>	14	<b>(11,457)</b>	<b>(1,224)</b>
<b>Net assets excluding pension surplus/(liability)</b>		<b>280,919</b>	<b>286,951</b>
Pension surplus / (liability)	19	29,612	(17,697)
<b>Net assets</b>		<b>310,531</b>	<b>269,254</b>
<b>Financed by:</b>			
Share capital	15	4,567	4,889
Revaluation reserve		54,686	57,945
Revenue reserve		252,171	206,827
<b>Members' funds</b>		<b>311,424</b>	<b>269,661</b>
<b>Non-controlling interests</b>	16	<b>(893)</b>	<b>(407)</b>
<b>Total funds employed</b>		<b>310,531</b>	<b>269,254</b>

The accounting policies on pages 46 to 48 and the notes on pages 54 to 66 form part of these accounts

## Group Cash Flow Statement

Year Ended 3rd September 2022

	Note	2022 (52 weeks) £'000	2021 (52 Weeks) £'000
Net cash flow from operating activities	17	5,570	19,981
Cash flow from investing activities			
Sale of tangible fixed assets		17,118	2,887
Sale of fixed asset investments		1,253	466
Interest received		26	28
Interest paid		(217)	(166)
Purchase of tangible fixed assets		(20,924)	(13,813)
Purchase of fixed asset investments		(30)	-
Acquisition of a business		-	(3,075)
Dividend from joint venture		120	-
		(2,654)	(13,673)
Cash flow from financing activities			
Issue of shares	15	396	231
Redemption of shares	15	(718)	(934)
Issue of shares to non-controlling Interests		-	470
(Repayment)/new bank loans		(11,000)	11,000
Repayment of loan with acquisition		-	(563)
		(11,322)	10,204
Net (decrease)/increase in cash		(8,406)	16,512
Cash at start of the year		36,026	19,514
Cash at end of the year		27,620	36,026

The accounting policies on pages 46 to 48 and the notes on pages 54 to 66 form part of these accounts

## Group Statement of Changes in Funds Employed

	Share Capital	Revaluation Reserve	Revenue Reserve	Members' Funds	Non- controlling Interests	Total Funds
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At September 2020</b>	<b>5,592</b>	<b>55,154</b>	<b>177,380</b>	<b>238,126</b>	<b>(462)</b>	<b>237,664</b>
Surplus/(deficit)	-	-	10,921	10,921	(415)	10,506
Other comprehensive income/(losses)	-	(205)	21,522	21,317	-	21,317
Transfer on disposal of properties	-	185	(185)	-	-	-
Transfer between reserves	-	2,811	(2,811)	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>2,791</b>	<b>29,447</b>	<b>32,238</b>	<b>(415)</b>	<b>31,823</b>
Share capital contributions	221	-	-	221	470	691
Share capital withdrawals	(934)	-	-	(934)	-	(934)
Share interest	10	-	-	10	-	10
<b>Transactions with members</b>	<b>(703)</b>	<b>-</b>	<b>-</b>	<b>(703)</b>	<b>470</b>	<b>(233)</b>
<b>At September 2021</b>	<b>4,889</b>	<b>57,945</b>	<b>206,827</b>	<b>269,661</b>	<b>(407)</b>	<b>269,254</b>
Surplus/(deficit)	-	-	12,253	12,253	(486)	11,767
Other comprehensive income/(losses)	-	(411)	30,243	29,832	-	29,832
Transfer on disposal of properties	-	(4,655)	4,655	-	-	-
Transfer between reserves	-	1,807	(1,807)	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>(3,259)</b>	<b>45,344</b>	<b>42,085</b>	<b>(486)</b>	<b>41,599</b>
Share capital contributions	386	-	-	386	-	386
Share capital withdrawals	(718)	-	-	(718)	-	(718)
Share interest	10	-	-	10	-	10
<b>Transactions with members</b>	<b>(322)</b>	<b>-</b>	<b>-</b>	<b>(322)</b>	<b>-</b>	<b>(322)</b>
<b>At September 2022</b>	<b>4,567</b>	<b>54,686</b>	<b>252,171</b>	<b>311,424</b>	<b>(893)</b>	<b>310,531</b>

## 1. Segmental analysis

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

	2022 (52 Weeks) £'000	2021 (52 Weeks) £'000
Turnover		
Retail	326,060	311,632
Investment property	13,737	11,862
<b>Total</b>	<b>339,797</b>	<b>323,494</b>
Gross profit		
Retail	93,303	91,805
Investment property	13,737	11,862
	<b>107,040</b>	<b>103,667</b>
Common costs	(90,478)	(85,442)
<b>Trading surplus</b>	<b>16,562</b>	<b>18,225</b>
Net assets		
Retail	144,477	103,535
Investment property	166,054	165,719
<b>Total</b>	<b>310,531</b>	<b>269,254</b>

## 2. Expenses – ordinary trading

	2022 (52 Weeks) £'000	2021 (52 Weeks) £'000
Personnel costs	54,700	53,526
Property rents	523	576
Other occupancy costs	10,926	8,592
Hire of plant – operating leases	31	27
Depreciation	6,757	7,025
Surplus on sale of fixed assets	(282)	(213)
Amortisation of intangible fixed assets	1,090	1,169
Auditors' remuneration:		
- Audit of these financial statements - current year	92	52
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	70	68
- Other services	2	3
Directors' fees – director duties	106	89
Directors' fees – other duties	105	184
Other expenses	14,852	13,483
<b>Total expenses – ordinary trading</b>	<b>88,972</b>	<b>84,581</b>

3. Other operating Income	2022 (52 Weeks) £'000	2021 (52 Weeks) £'000
Government grants	-	289

Government grants in the prior year related to Coronavirus Job Retention Scheme receipts.

#### 4. Employees

The average number employed by the Group in the year ended 3rd September 2022.

	2022 Number	2021 Number
Part-time	1,751	1,785
Full-time	1,140	1,124
	<u>2,891</u>	<u>2,909</u>

The costs incurred in respect of these employees were:

	2022 (52 Weeks) £'000	2021 (52 Weeks) £'000
Wages and salaries	48,907	47,466
Social security costs	3,476	3,269
Other pension costs	2,317	2,791
<b>Total personnel costs</b>	<u>54,700</u>	<u>53,526</u>

#### Senior leadership emoluments

The emoluments of the senior leadership team paid during the year including salary, performance related pay, bonus, pension contributions and taxable benefits can be found in the remuneration report on pages 38 to 42 of these financial statements.



## 5. Net finance charges

	2022 (52 Weeks) £'000	2021 (52 Weeks) £'000
<b>a) Interest receivable</b>		
Funeral plans	2,240	1,861
Unlisted investments	12	12
Expected return on pension scheme assets	3,028	2,453
Other interest	14	16
	<u>5,294</u>	<u>4,342</u>
<b>b) Interest payable</b>		
Bank loans	193	108
Funeral plans	2,240	1,861
Interest cost on pension scheme obligations	3,306	3,189
Loan from non-controlling interest	54	54
Other interest	-	4
	<u>5,793</u>	<u>5,216</u>
<b>Net finance charges</b>	<u>499</u>	<u>874</u>

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

	2022 (52 Weeks) £'000	2021 (52 Weeks) £'000
Donations to charity and community groups	376	375
Forfeits on shares	(171)	(342)
Member and community activities	1,301	1,117
	<u>1,506</u>	<u>1,150</u>

	2022 (52 Weeks) £'000	2021 (52 Weeks) £'000
<b>b) Payments to and on behalf of members</b>		
Dividend	1,911	1,921
Release of prior year provisions	-	(200)
Further dividend approved	1,633	1,763
	<u>3,544</u>	<u>3,484</u>
Funeral benefit	41	43
<b>Total</b>	<u>3,585</u>	<u>3,527</u>

Dividend of £1,911,000 (2021: £1,921,000) has been accounted for during the year. Member purchases qualifying for such distribution are determined by the Board of Directors, as is the rate of distribution. A recommendation to allocate a further £1,624,000 (2021: £1,633,000) was made after the balance sheet date making a total of £3,535,000 (2021: £3,554,000). This equated to a dividend bonus of 85p (2021: 85p) for every £1 of qualifying dividend distributed and has been approved by the Board of Directors, which will be paid to members in proportion to the dividend already distributed in the year under review.

## 7. Taxation

	2022 (52 weeks) £'000	2021 (52 Weeks) £'000
a) Analysis of tax charge in year		
Current tax		
UK corporation tax at 19% (2021: 19%) on surplus for the year	1,272	2,749
Overprovision in prior years	(137)	(17)
Current tax charge for the year	<u>1,135</u>	<u>2,732</u>
Deferred tax		
Taxation on pension adjustments	533	326
Excess of capital allowances over depreciation	890	(132)
Change in tax rate	-	(279)
Deferred charges for the year	<u>1,423</u>	<u>(85)</u>
Taxation provided in the Group Revenue Account	<u>2,558</u>	<u>2,647</u>
Other comprehensive income items		
Tax on share interest	(2)	(1)
Deferred tax on pension scheme	14,255	3,738
	<u>14,253</u>	<u>3,737</u>

## b) Factors affecting tax charge for the year

	2022 (52 weeks) £'000	2021 (52 weeks) £'000
Surplus before taxation	<u>14,325</u>	<u>13,153</u>
Deficit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	2,722	2,499
Effects of:		
Revaluation of property	119	197
Other permanent differences between items affecting tax and accounting surplus	(146)	247
Overprovision in prior years	(137)	(17)
Change in tax rate on deferred tax balances	-	(279)
Taxation provided in the Group Revenue Account	<u>2,558</u>	<u>2,647</u>

The standard rate of corporation tax in the UK is 19% and was set to increase to 25% in April 2023. The increase was substantially enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly. The deferred tax balances at 3 September 2022 have been calculated based on this rate, reflecting the expected timing of the reversal of the related timing differences.

## 8. Intangible fixed assets

	Goodwill £'000	Licences £'000	Total £'000
<b>Cost</b>			
At September 2021	8,603	18,786	27,389
Disposals	(140)	-	(140)
<b>At September 2022</b>	<b>8,463</b>	<b>18,786</b>	<b>27,249</b>
<b>Amortisation</b>			
At September 2021	6,176	12,392	18,568
Charged in the year	211	879	1,090
Disposals	(140)	-	(140)
<b>At September 2022</b>	<b>6,247</b>	<b>13,271</b>	<b>19,518</b>
<b>Net book value</b>			
<b>At September 2022</b>	<b>2,216</b>	<b>5,515</b>	<b>7,731</b>
At September 2021	2,427	6,394	8,821

## 9. Tangible fixed assets – trading

	Land & buildings £'000	Fixtures Fittings & Plant £'000	Transport £'000	Total £'000
<b>Fair value/original cost</b>				
At September 2021	84,096	56,294	5,929	146,319
Transfers	390	-	-	390
Additions	2,868	5,858	1,092	9,818
Disposals	(490)	(772)	(743)	(2,005)
Revaluation	(1,849)	-	-	(1,849)
<b>At September 2022</b>	<b>85,015</b>	<b>61,380</b>	<b>6,278</b>	<b>152,673</b>
<b>Depreciation</b>				
At September 2021	-	42,185	4,062	46,247
Charged in the year	1,023	4,874	797	6,694
Disposals	-	(637)	(697)	(1,334)
Revaluation	(1,023)	-	-	(1,023)
<b>At September 2022</b>	<b>-</b>	<b>46,422</b>	<b>4,162</b>	<b>50,584</b>
<b>Net book value</b>				
<b>At September 2022</b>	<b>85,015</b>	<b>14,958</b>	<b>2,116</b>	<b>102,089</b>
At September 2021	84,096	14,109	1,867	100,072

The value of land and buildings includes £1,760,000 (2021: £1,831,000) of leaseholds, the remainder being freehold.

The value of buildings depreciated was £51,150,000 (2021: £50,300,000). A valuation of trading properties was carried out by Banks, Long & Co., Chartered Surveyors, of 26 Westgate, Lincoln as at 3rd September 2022 which valued all of the Group's trading land and buildings at current fair value in accordance with RICS valuation standards at £85,015,000 (2021: £84,096,000). This valuation has been incorporated within the Group Balance Sheet.

## 10. Fixed assets – investment properties

	<b>Land &amp; Buildings</b>		<b>Landlords</b>	
	<b>Freehold</b>	<b>Leasehold</b>	<b>Fixtures</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fair value/original cost</b>				
At September 2021	161,614	1,320	909	163,843
Transfers	(460)	70	-	(390)
Additions	12,826	5	5	12,836
Disposals	(13,681)	-	-	(13,681)
Revaluation	(300)	85	-	(215)
<b>At September 2022</b>	<b>159,999</b>	<b>1,480</b>	<b>914</b>	<b>162,393</b>
<b>Depreciation</b>				
At September 2021	-	-	709	709
Charged in the year	-	-	63	63
<b>At September 2022</b>	<b>-</b>	<b>-</b>	<b>772</b>	<b>772</b>
<b>Net book value</b>				
<b>At September 2022</b>	<b>159,999</b>	<b>1,480</b>	<b>142</b>	<b>161,621</b>
At September 2021	161,614	1,320	200	163,134

A valuation of investment properties was carried out by Banks, Long & Co., Chartered Surveyors, 26 Westgate, Lincoln as at 3rd September 2022. The valuation was carried out in accordance with RICS valuation standards on a fair value basis. The historic cost of land and buildings included in notes 9 and 10 is £191,808,000 (2021: £189,085,000).

Additions are included net of capital grants received where development is carried out to a specified standard that results in the costs of development being higher than the market value. During the year the group received capital grants of £4,620,000 which are not required to be repaid.

## 11. a) Investments

	<b>Fixed Assets</b>		<b>Current Assets</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Other investments	290	293	-	-
Funeral plans	-	44,359	-	3,000
<b>Totals investments</b>	<b>290</b>	<b>44,652</b>	<b>-</b>	<b>3,000</b>
<b>Cost or valuation</b>				
At September 2021		47,359	293	47,652
Additions		2,263	30	2,293
Plans redeemed		(3,519)	-	(3,519)
Disposals		-	(33)	(33)
Change in fair value		2,240	-	2,240
Transfer of plans		(48,343)	-	(48,343)
<b>At September 2022</b>		<b>-</b>	<b>290</b>	<b>290</b>

**Funeral plans**

Monies have been invested as individual life policies with Royal London (CIS) Limited and are recognised at fair value. On 14 July 2022 all Funeral plans held by the group were transferred at fair value to Ecclesiastical Planning Services Limited under new FCA rules.

## 11. b) Subsidiaries

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

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

## Subsidiary audit exemptions

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

Company Name	Company Number
Lincoln Shop Equipment Ltd.	00603782
LCS Retail Ltd.	03171397
Greetwell Developments Ltd.	03523810
South Lincolnshire Crematorium Ltd.	08091277

## c) Joint Venture

LC Community Projects Ltd (50%) - Property Development

	2022 £'000	2021 £'000
Balance brought forward	149	97
Share of trading profit	-	51
Share of tax on trading profit	-	1
Dividend received	(120)	-
Total balance sheet value	29	149

LC Community Projects Ltd is a joint venture of Lincolnshire Co-operative Limited and Lindum Group Limited. At the year end £327,000 (2021: £314,000) was owed to Lincolnshire Co-operative Limited and £nil (2021: £nil) was owed to Lindum Group Limited, both as interest free loans

## 12. Debtors

	Falling due within one year		Falling due after one year	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade debtors	17,639	17,274	-	-
VAT	850	567	-	-
Deferred tax	-	770	883	5,557
Other debtors and prepayments	3,170	6,815	-	-
Owed by joint venture	327	314	-	-
Corporation tax	170	-	-	-
Total debtors	22,156	25,740	883	5,557



## 13. a) Creditors

	Falling due within one year		Falling due after one year	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank loans	-	-	-	11,000
Trade creditors	23,056	17,147	-	-
Accrued charges and deferred income	12,829	25,212	380	626
Other taxation and social security	787	832	-	-
Member benefits and grants	79	192	-	100
Corporation tax	-	1,332	-	-
Funeral plans	-	3,000	-	44,803
Owed to non-controlling interests	-	-	1,066	1,066
	<u>36,751</u>	<u>47,715</u>	<u>1,446</u>	<u>57,595</u>

## b) Dividend

	Falling due within one year		Falling due after one year	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Dividend approved not yet distributed	134	121	-	-
Dividend balances on dividend cards	4,637	4,887	-	-
	<u>4,771</u>	<u>5,008</u>	<u>-</u>	<u>-</u>
<b>Total creditors</b>	<u>41,522</u>	<u>52,723</u>	<u>1,446</u>	<u>57,595</u>

Included within creditors is an amount of £180,000 (2021: £82,000) 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.

A revolving credit facility of £9,000,000 and an overdraft of £10,000,000 are approved and available, should they be required, no amounts are drawn down at 3 September 2022.

The bank loan of £11,000,000 in the prior year was repaid in full during the year.

## 14. Deferred tax

	Assets 2022 £'000	Liabilities 2022 £'000	Assets 2021 £'000	Liabilities 2021 £'000
An analysis of the amounts provided is set out below:				
Pension scheme surplus/(deficit)	-	10,364	(4,424)	-
Accelerated capital allowances	(581)	12	(1,540)	-
Other timing differences	(302)	1,081	(363)	1,224
<b>Deferred tax (assets)/liabilities</b>	<u>(883)</u>	<u>11,457</u>	<u>(6,327)</u>	<u>1,224</u>

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

## 15. Share capital

	2022 £'000	2021 £'000
Balance to begin the year	4,889	5,592
Contributions	386	221
Interest	10	10
	5,285	5,823
Withdrawals	(718)	(934)
Balance to end the year	4,567	4,889

- i) The whole of the share capital comprises £4,566,794 non-equity shares of £1 attracting interest at the rate of 0.25% on balances of £20 or more.
- ii) Shares are withdrawable on periods of notice from demand to two weeks depending on the amount.
- iii) Every member who has been a member of the Society for not less than six months and holds a minimum of one share is entitled to one vote.
- iv) In the event of a winding up, any balance remaining, after meeting all liabilities will be distributed subject to the Society's rules.
- v) Dividends to members are paid by way of issue of dividend onto cards and by payments of dividend into members' share accounts.

## 16. Non-controlling interests

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

	2022 £'000	2021 £'000
Balance to begin the year	(407)	(462)
Share of loss	(486)	(415)
Issue of share capital	-	470
Balance to end the year	(893)	(407)

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

	2022 (52 weeks) £'000	2021 (52 weeks) £'000
Operating surplus	18,409	17,503
Deficit on revaluations of property	628	1,038
Non-cash pension costs	-	540
Additional pension contribution	(3,081)	(2,991)
Depreciation charges	6,757	7,025
Surplus on sale of fixed assets	(2,758)	(429)
Deficit/(surplus) on sale of fixed asset investments	9	(100)
Amortisation of goodwill	1,090	1,169
(Increase)/decrease in stocks	(1,584)	265
Decrease/(increase) in debtors	1,566	(109)
(Decrease)/increase in creditors	(8,998)	1,866
Payments to and on behalf of members	(3,832)	(3,389)
Tax paid	(2,636)	(2,407)
Cash inflow from operating activities	5,570	19,981

## 18. Analysis of movements in net funds

	<b>2022</b> <b>£'000</b>	<b>Cashflow</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Cash at bank and in hand	27,620	(8,406)	36,026
Debt due after one year	-	11,000	(11,000)
Net funds	<u>27,620</u>	<u>2,594</u>	<u>25,026</u>

## 19. Defined benefit pension scheme

The Society operates a pension scheme providing benefits based on pensionable pay. The latest full actuarial valuation was carried out at 30th September 2018 and was updated to 3rd September 2022 by a qualified independent actuary. The scheme was closed to new entrants in December 2012 and to future accrual from 31st December 2020.

## Amounts recognised in the Group Balance Sheet

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Present value of funded obligations	(115,795)	(197,095)
Fair value of plan assets	145,407	179,398
Surplus/(deficit)	<u>29,612</u>	<u>(17,697)</u>

## Amounts recognised in the Group Revenue Account

	<b>2022</b> <b>(52 weeks)</b> <b>£'000</b>	<b>2021</b> <b>(52 weeks)</b> <b>£'000</b>
Current service cost	-	935
Interest on obligation	3,306	3,189
Expected return on plan assets	(3,028)	(2,453)
Total	<u>278</u>	<u>1,671</u>

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

	<b>2022</b> <b>(52 weeks)</b> <b>£'000</b>	<b>2021</b> <b>(52 weeks)</b> <b>£'000</b>
Expenses – ordinary trading	-	935
Other finance expense	278	736
Total	<u>278</u>	<u>1,671</u>

## Amounts recognised in the Group Statement of Comprehensive Income

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Cumulative amount at beginning of year	(29,482)	(54,751)
Recognised during the year	44,506	25,269
Cumulative amount at end of year	<u>15,024</u>	<u>(29,482)</u>

## Changes in the present value of scheme obligations

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Opening obligation	197,095	189,684
Service cost	-	935
Interest cost	3,306	3,189
Employees' contributions	-	268
Actuarial (gains)/losses	(79,628)	7,328
Benefits paid	(4,978)	(4,309)
Closing obligation	<u>115,795</u>	<u>197,095</u>

## 19. Defined benefit pension scheme (continued)

## Changes in the fair value of plan assets

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Opening fair value of scheme assets	<b>179,398</b>	145,003
Expected return	<b>3,028</b>	2,453
Actuarial (losses)/gains	<b>(35,122)</b>	32,597
Contributions by employer	<b>3,081</b>	3,386
Contributions by employees	-	268
Benefits paid	<b>(4,978)</b>	(4,309)
	<b>145,407</b>	179,398
Actual return on scheme assets	<b>(32,094)</b>	35,050

## Assets in the plan as a percentage of total plan assets

	<b>2022</b>	<b>2021</b>
Bonds	<b>15%</b>	25%
Equities	<b>85%</b>	75%

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

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

## Principal actuarial assumptions at the balance sheet date

	<b>2022</b>	<b>2021</b>
Discount rate	<b>4.5%</b>	1.7%
Rate of increase in salaries	<b>n/a</b>	n/a
Rate of increase in payment of pre 1997 pension	<b>0.0%</b>	0.0%
Rate of increase in payment of post 1997 Pensions	<b>3.1%</b>	3.1%
Rate of revaluation of deferred pensions	<b>3.3%</b>	3.2%
Inflation assumption - RPI	<b>3.3%</b>	3.2%
Inflation assumption - CPI	<b>2.8%</b>	2.7%

Future contributions by the employer are to be agreed with the scheme trustees as part of the triennial funding review.

## 19. Defined benefit pension scheme (continued)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date were based on standard actuarial mortality tables and include an allowance for future improvements in longevity. No adjustment has been made for any potential effects of Covid 19 and the Society will monitor any impacts and follow actuarial advice. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Current pensioner aged 65:	<b>21.3 years (male)</b>
	<b>23.1 years (female)</b>
Future retiree upon reaching 65:	<b>22.6 years (male)</b>
	<b>24.6 years (female)</b>

## 20. Defined contribution pension scheme

Following the closure of the defined benefit pension scheme to new entrants in December 2012, the Society also operates a defined contribution scheme. The assets of this scheme are held separately from those of the Group in an independently administered fund. During the year contributions of £2,316,000 (2021: £1,856,000) were paid by the Group.

## 21. Capital commitments

Outstanding contracts for capital expenditure not provided for in the accounts amounted to £10,585,000 (2021: £14,677,000) and capital expenditure and acquisitions authorised by the Directors for which no contracts have been placed totalled £18,846,000 (2021: £25,005,000).

## 22. Commitments under operating leases

At 3rd September 2022 the Group had commitments payable under non-cancellable operating leases on land and buildings as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	<b>436</b>	455
In two to five years	<b>1,049</b>	1,046
Over five years	<b>2,257</b>	2,299
<b>Total commitments</b>	<b>3,742</b>	3,800

These leases are subject to rent reviews.

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	<b>10,169</b>	10,572
In two to five years	<b>20,708</b>	26,724
Over five years	<b>13,866</b>	17,973
<b>Total commitments</b>	<b>44,743</b>	55,269

## 23. Financial instruments

The Group's financial instruments are as follows:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
<b>Financial assets</b>		
Measured at fair value	-	47,359
Measured at amortised cost	<u><b>45,586</b></u>	<u>53,614</u>
<b>Financial liabilities</b>		
Measured at fair value	-	47,803
Measured at amortised cost	<u><b>24,122</b></u>	<u>29,213</u>

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

Financial assets measured at amortised cost comprise cash at bank and in hand, 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, bank loans and loans from non-controlling interests.



## Historical Comparative Statement

	2018	2019	2020	2021	2022
	52 Weeks	53 Weeks	52 Weeks	52 Weeks	52 Weeks
<b>Membership</b>	<b>285,813</b>	<b>289,238</b>	<b>289,298</b>	<b>296,264</b>	<b>296,077</b>
<b>Revenue account</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross sales	328,585	347,010	335,599	355,165	<b>398,783</b>
Depreciation	6,214	6,917	6,920	7,025	<b>6,757</b>
Trading surplus	17,662	15,475	15,510	18,225	<b>16,562</b>
Members' benefits	1,463	2,042	1,117	1,150	<b>1,506</b>
Dividend	4,166	4,177	3,874	3,597	<b>3,576</b>
Transfer to reserve	(2,352)	(12,107)	(38,642)	10,506	<b>11,767</b>
<b>Balance Sheet</b>					
Intangible assets	10,555	9,397	8,369	8,821	<b>7,731</b>
Total tangible assets	302,926	293,443	259,187	263,206	<b>263,710</b>
Total fixed investments	38,146	39,730	43,254	44,801	<b>319</b>
Net current assets	14,518	12,224	17,476	28,942	<b>22,062</b>
Long term creditors	(40,279)	(42,889)	(45,941)	(58,819)	<b>(12,903)</b>
Net assets before pension	325,866	311,905	282,345	286,951	<b>280,919</b>
Pension surplus/(liability)	(16,389)	(28,195)	(44,681)	(17,697)	<b>29,612</b>
Net assets	309,477	283,710	237,664	269,254	<b>310,531</b>
Share capital	7,004	6,235	5,592	4,889	<b>4,567</b>
Reserves	302,447	277,405	232,534	264,772	<b>306,857</b>
Minority interest	26	70	(462)	(407)	<b>(893)</b>

Dividend includes amounts approved or proposed for approval and members funeral benefit.



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