

Annual Report and Accounts

For the year ending **7th September 2024**



Society Registered No. 141R



**PURPOSE BEYOND
PROFIT 2030**



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

Our pillars

**Providing and
supporting
valued
services**



**Driving volume,
driving revenue**

**Building
strength
in the
long term**



**Cost prevention,
drive profit**

**Caring for
our health
and
wellbeing**



**Delivering for
the needs of our
communities**

**Looking
after our
local
environment**



**Reducing our
impact on the
environment**

Our foundation

**Being
data-led**

**People
and culture**

**Stable
technology**

**Good
governance**

**Cyclical
refreshes**

Our roots - our membership

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Your Board of Directors



David Cowell
(Appointed Director)
Chair of the Board
Chair of the Search and Governance Committee
Remuneration Committee Member



Jane Moate
Remuneration Committee Member
Search and Governance Committee Member



Richard Wills
President
Chair of the Member Engagement Committee
Search and Governance Committee Member



Jackie Munn
Remuneration Committee Member
Audit and Risk Committee Member



Ian Haldenby
(Appointed Director)
Chair of the Audit & Risk Committee



Claudia Nel
Audit and Risk Committee Member



C-J Green
(Appointed Director)
Chair of the Remuneration Committee



Lesley Robinson
Audit and Risk Committee Member



Nicola Berry
Member Engagement Committee Member



Mike Wistow
Search and Governance Committee Member



Mark Fields
Member Engagement Committee Member



Ash Wilks
Member Engagement Committee Member

Meet the Executive Leadership Team



Alison Hands
Chief Executive Officer



Robert Allen
Group Secretary
and General Counsel



Paul Howard
Chief Financial Officer



Steve Leach
Chief Operating Officer



Laura Dunne
Chief Purpose and
Proposition Officer



Heather Lee
Chief People Officer

Our auditors



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



View from the board room



David Cowell

It has been an exciting year of change and growth for Lincolnshire Co-op. The Board has been pleased to work with the Executive Leadership Team to develop and approve a new strategy - Purpose Beyond Profit 2030. You can see it laid out on the inside cover.

You will see a lot of reference in this year's report to the new strategy and how it will safeguard the long-term sustainability of our society, and the communities that rely so much on its continued support.

The work behind the new strategy highlighted a need to increase our investment in people, stores, branches and important infrastructure such as our information technology systems.

This investment programme will require a significant injection of cash over the coming years and the Board approved a re-financing arrangement that enables Lincolnshire Co-op to utilise its strong asset base in order to secure the necessary funding. Borrowing is an essential tool for growth, and I would like to assure all of our members and stakeholders on behalf of the Board that the facilities put in place will be used carefully, supported by strong governance.

Alongside our plans for growth, we have faced into significant external challenges including large cost increases. These pressures have resulted in the Board having to take difficult decisions, including a reduction in the amount of bonus that can be issued to members this year.

The Board has also continued to review its composition in order to maintain high standards of corporate governance. This year saw a number of changes. After 23 years of dedicated service - including three terms as your President - Julia Romney stepped down as a Director. We also saw Directors Steve Hughes and James Scott conclude their terms of office following this year's elections. It has been a pleasure working with Julia, Steve and James and I would like to extend the Board's sincere thanks for their respective contributions.

The Board continuously evaluates the skills it needs to discharge its responsibilities, both under applicable law and under our commitments to you, our members. I am delighted we have been able to welcome Claire-Jayne Green, who has been appointed for her specialist remuneration and general HR experience. Claire-Jayne has been appointed to chair the Society's Remuneration Committee and will bring a fresh perspective to the development of people and culture within the organisation. The election process brought three new directors in Lesley Robinson, Ash Wilks and Mike Wistow. Each brings a wealth of experience across different fields and their appointments enhance our breadth of skills.

On behalf of the Board, I want to thank all our colleagues and members for their continued support as we go through this transition to deliver a long-term sustainable Lincolnshire Co-op that brings together ideas, energy and resources to make life better in our communities.

David

David Cowell,
Chair of the Board of Directors

Steve Hughes, Julia Romney and James Scott.





CEO overview



Alison Hands

It has been a positive year from a trading performance perspective, with growth of 6.1%. Our food business has been a key driver, 8.8% up on last year. Our bakery Gadsby's also saw sales rise by 6.4%. This is a great performance with inflation at 3%, demonstrating increased volume within food retail.

Travel has seen a strong trading year with sales up by 9.7%. Our much-valued post offices saw 10.5% growth on the previous year, in part due to new ways of working designed to sustain the service, such as changes to opening hours.

Despite large prescription numbers, our pharmacy business has seen a drop of 2.9% on last year, with additional clawbacks from government. Our funerals business has seen a 0.8% decrease, with clients continuing to move towards unattended funerals, as well as a UK-wide declining death rate. However, due to our high standards and dedicated colleagues we are gaining market share in both areas, which gives us confidence for the future.

Our property business has had a steady year with revenues up 2.3%. This is a positive performance in view of national economic challenges facing the sector, leading to rent reductions.

The National Living Wage increase has had a significant impact on our cost base, which has continued to grow. Overall personnel costs have gone up by £5.7m, with National Living Wage being the key driver. We have also seen an upward tick in other costs such as business rates.

Those external influences have contributed to additional costs of £6.8m. In that context, the £1.3m decline in year-on-year trading surplus to £10.8m is testament to the exceptional work that has been achieved by all our teams. It also highlights the importance of our strategy Purpose Beyond Profit 2030, which will drive growth.

The vision of Purpose Beyond Profit 2030 is to deliver a long-term sustainable Lincolnshire Co-op, that brings together ideas, energy and resources to provide valued services which make life better in our communities.

To enable us to do that, it is imperative to grow revenues and trading profits to ensure we can compensate for the additional inflationary pressure we expect to see. We also need to mitigate costs more efficiently, so we can deliver not only services throughout our trading area but support key community activity. It requires us to be focused on an 'invest to grow' approach and the key drivers of performance.

We are going through a transition with the aim of delivering long-term sustainability for Lincolnshire Co-op. This will enable us to continue to provide valued services and work together to ensure our communities thrive – my thanks go to all our colleagues, and members for their support on this journey.

Alison

Alison Hands,
Chief Executive Officer





with our CEO



Alison Hands



What have been the biggest challenges facing Lincolnshire Co-op this year?



The rising National Living Wage is rightly helping to support our colleagues in the current inflationary climate which we welcome. However, it does mean we need to over deliver on revenues to mitigate cost inflation. We also have had to invest in roles and projects to improve our operations, as the core capability and capacity to deliver our purpose in the long term wasn't in place. These investments will support the sustainability of the society by addressing declining trading surplus.

We have also, like many other businesses, seen the rising cost of store theft but even more concerning, an increasing level of abuse of our customer facing colleagues. To tackle this trend we have invested in security, and are rolling out body cameras to our food stores and pharmacies, to support colleague safety and help the police with potential prosecutions.



In view of those challenges, what do you consider the most impactful achievements?



Thanks to the combined efforts of our people from food, travel, pharmacy, funeral, post office, property and our Support Centre, we have exceeded our expectations by hitting challenging budgets despite external influences and the investments we are making.

We have continued to support our communities, and our Community Champions fundraising for breakfast clubs and the growth in our Wellbeing Walks scheme should all make us immensely proud.

We have also been re-accredited with the Platinum Investors In People Award, which is a great achievement given the level of change we have undergone. Our engagement on strategy and openness through the introduction of the 'Talk to Alison' scheme for colleagues to engage directly with me and other members of the Executive Leadership Team (ELT) has supported this. We'll continue to challenge ourselves to be even better for our colleagues and are in the early stages of a new strategic approach to people and culture to allow us to do this.



Purpose Beyond Profit 2030 is a long-term plan. What are the focuses over the next financial year?



Since our last report to members, we have opened new food stores in Laceby and Scartho in north Lincolnshire and are on site in Coates, near Peterborough. To drive economic improvement, we'll be focussing on an ambitious food growth plan with the aim of opening 30 new stores over the next three years.

In addition to this, we have launched a cyclical refresh scheme, which is an extensive refurbishment programme. We will be spending up to £7m this year, which will include all our outlets including food stores, pharmacies, funeral homes, travel agencies and post offices.

We're beginning a seven-year journey of technological transformation to ensure we are fit for the future for our members and colleagues. We will be developing new systems in our food business to improve our ranging and availability and we are investing significantly in IT across the business.

Work will be ongoing to ensure our property portfolio is fit for our long-term strategy. We have identified assets for divestment, counterbalanced with acquisition where a project fits with our goals of supporting local housing and healthcare.



With the new business strategy in place, what difference will customers of Lincolnshire Co-op start to see in what we offer?



Purpose Beyond Profit 2030 is a journey, not a quick fix. At the moment a lot of our activity is in improving our foundational infrastructure, this means it will take some time to see many of the customer facing elements.

The initial focus on growth in our food stores, along with the cyclical refresh investment across all our trading services, will be impactful for customers as they are able to take advantage of our services in more locations and benefit from improved experiences in branch.

Customers will also see price investment, whether that's in more competitive pricing in unattended funerals, or early next year in food. We're introducing broader ranges in pharmacy so patients can purchase a better range of over-the-counter goods to support prescription medication.

And of course, members and customers, will see the continued investment into community projects across our trading locations, from Wellbeing Walks and support for food banks, to social inclusion and community volunteering, to fundraising for hundreds of local good causes each year.



Health and wellbeing is a pillar of Lincolnshire Co-op's work. As well as the valued service provided by your pharmacies, how will you be developing this further?



Improvement in health and wellbeing outcomes in our communities is a key need. We're working with local NHS providers to find improved solutions, utilising our outlets and properties to provide health services.

An example of this in action is at the Lincoln Science and Innovation Park (LSIP), which we run alongside our partners. This winter LSIP is set to see the opening of an NHS Clinical Diagnostic Centre (CDC) which carries out diagnostics like X-ray, MRI, CT and ultrasound.

Building on this concept further, we have begun working on a 'pharmacy of the future' model, which will provide more services and health advice.

The introduction of a Head of Care role within Lincolnshire Co-op, encompassing pharmacy, healthcare and funerals, also enables us to consider how we build more effective care and improvement in these highly regulated areas, and provide more solutions.

Healthcare and housing are key needs. Our property portfolio and pharmacy experience give us the opportunity to use our ideas, energy and resources to build greater infrastructural support and deliver real improvements for our communities.



Laceby Food Store



Talk to Alison sessions



Wellbeing Walks



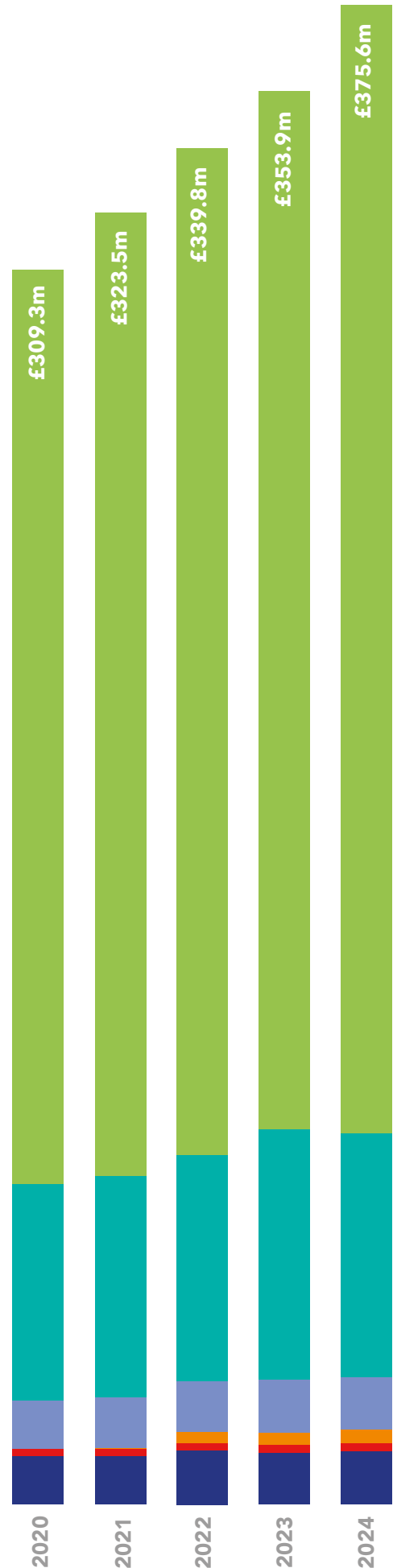
New pharmacy ranges



Key financial data

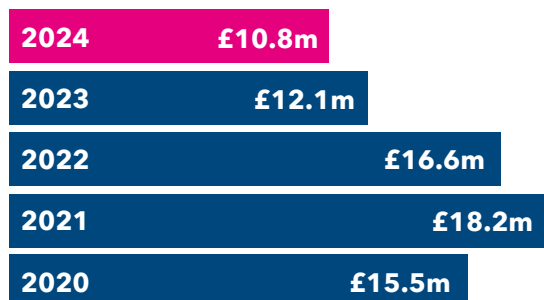
Turnover – broken down into trading area

	2020 £000's	2021 £000's	2022 £000's	2023 £000's	2024 £000's
Food + Petrol	229.0	241.2	252.1	259.9	282.7
Pharmacy	54.4	55.6	56.7	62.8	61.0
Funeral	12.1	12.6	12.6	13.3	13.2
Travel	-	0.3	2.9	3.1	3.4
Post Office	1.9	1.9	1.8	1.9	2.1
Property	11.9	11.9	13.7	12.9	13.2
Total	309.3	323.5	339.8	353.9	375.6



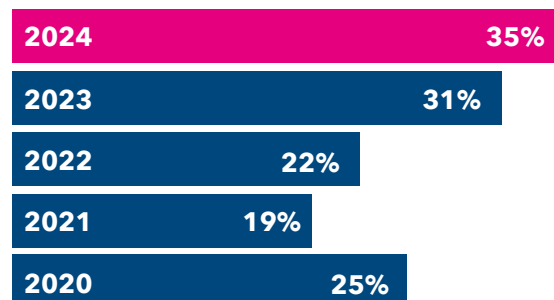
Trading surplus

£10.8m



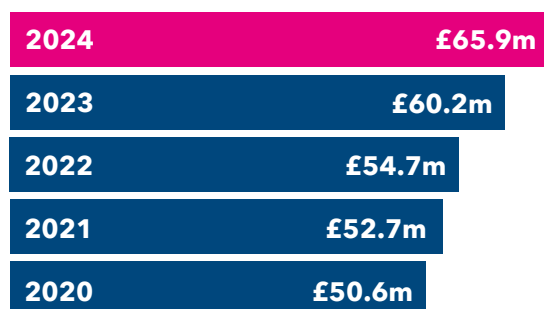
Cashback as a % of trading surplus

35%



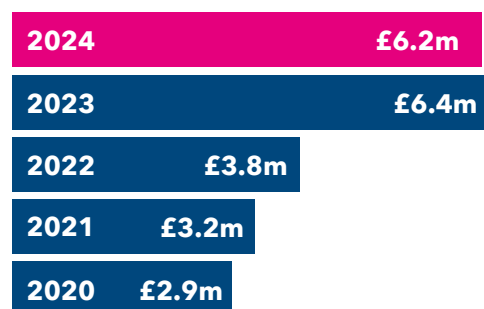
Personnel costs

£65.9m



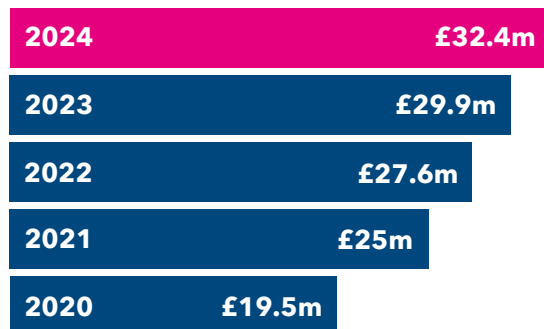
Energy costs

£6.2m



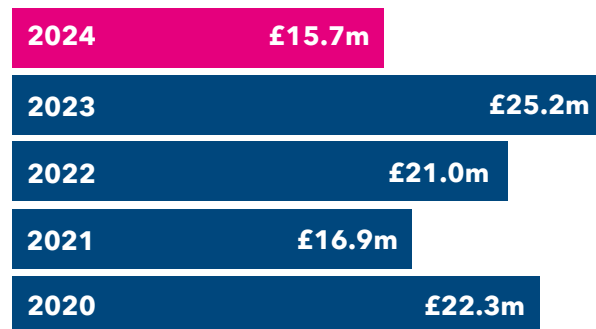
Cash balance

£32.4m



Capital spend

£15.7m





Our membership



Richard Wills

View from the President

It is an honour to serve as your President this year. I am very conscious that the Lincolnshire Co-op belongs to all of us, as members. Collectively, we own a business that seeks to trade fairly, provide good value for money and use its profits for the benefit of members, our customers and our communities. This differentiates us from other retailers whose profits can end up a long way from where they are made. We can be proud of what we are able to achieve as a co-op.

As individuals, we have found the economic situation over the last couple of years fairly tough. The same has been true for our business, but as you will read in this annual report we have continued to operate profitably. But we cannot simply assume that this will always be so.

To be successful we need to grow membership to create a long-term sustainable business. Therefore, earlier this year we spent time talking to members and customers to understand what your Board of Directors needs to do to address your aspirations.

Following the research, we launched a campaign on membership growth in September, changing the way we talk about dividend and introducing the concept of 1% cashback. The 1% equates to the same as dividend but we believe it will help us engage with a newer audience in addition to our existing membership.

Since we launched the scheme, we've been delighted to see member sign-ups increasing and more members using the app.

I am privileged to have been able to visit stores and see some of the fantastic projects we have supported financially. It is good to speak with you when the chance arises. That's true for the whole Board of Directors and managers. We are always interested in what our members think – so please come and introduce yourself at our next event and complete our surveys so we can continue to gather your ideas and feedback.

We can be proud of what we are doing together.

Richard Richard Wills,
President



We undertook membership research in February and March. This involved talking to existing members and those customers who haven't signed up to be part of Lincolnshire Co-op.

5,767 people shared their views

57%

of members told us they **prefer dividend** on all products rather than a member pricing scheme

59%

of customers agreed that we offer a **good membership scheme** but some were confused what we meant by the term 'dividend'.

We have

288,984
members.

Down from
292,108 in
22/23.



33% of members often forget their card and miss out on collecting cashback. If you're one of them, download the Lincolshire Co-op dividend card app

36,044 members
have used it this year.

Up from 26,590
in 22/23.



We welcomed
23,366
new members.



Up from
22,247 in
22/23.

71%

of our members
shopped with
us this year.



Up from
68% in
22/23.

Our members
redeemed

£4.7m

of cashback in the year.



Up from
£4.6m in
22/23.



Our free fruit scheme saw

24,046

apples, oranges & bananas
given away to under 13s linked
to member accounts.



Every year, we reward our members who have been with us for 25 years with £5 cashback. And we put all of their names into a prize draw to win £250!

This year, we celebrated this milestone with 5,250 members and the prize draw winners were from: Newark, Sleaford, Sutton on Trent and Misterton.



Dividend Card
Members get more



We recorded

77,173 engagements

with our members including event attendees, election votes and other member communications.





Making life better in our communities



Our Community Champions scheme brings together community cashback – where donations go to a good cause when members shop with their dividend card – colleague fundraising and customer donations.

This year, we raised £616,981 for 471 groups.

Down from £619,198 in 22/23.



Up from 413 groups in 22/23.



We supported a wide range of local groups, charities and good causes during the year, including a targeted period of fundraising for youth groups.

Community Champions fundraising has allowed us to support breakfast clubs across our area since 2011 with clubs getting a guaranteed donation each year.

We topped up the pot this year, raising **£300,000** between June and September, which will enable us to continue to support groups for at least another two years.

We're supporting 223 breakfast clubs with funding.

Up from 208 in 22/23.



We take a **mobile health pod** around our area each year, giving people a free health MOT with our expert pharmacy and community teams. It popped up in 10 locations.

We carried out 652 free health checks.

Up from 475 in 22/23.



During December, we asked people to support their local food or larder through our advent calendar campaign.

Donations were equal to **8,143 meals, shared between 44 food banks**



Down from 26,589 meals in 22/23.



Our Wellbeing Walks give people a way of getting active while socialising and 3,543 walkers stepped out this year.

We run 82 regular walks, supported by 293 volunteer walk leaders.



Holidaymakers booking through our travel branches gave

£11,906

to our Travel's Toy Bank appeal



– enabling us to give **982 toys and gifts** to local charities. These were shared between groups supporting young people from disadvantaged backgrounds.

Up from £7,422 in 22/23



“The toys and gifts make a huge difference to the teenagers and young people that we offer support to.

“It helps them feel loved, cared for and welcome within their communities, which is so important at this time of year.”

Rebecca Harris,
Children's Services Manager
at Barnardo's



We ran **18 green space projects**, getting people to help spruce up their local area.

269 people pulled on gardening gloves and grabbed litter pickers to take part.



Defibrillators are a life-saving resource for our communities.

Our maintenance team keep **73 defibrillators** in working order across our outlets.

Our **Community Cuppas** build connections in communities, enabling people to meet and share conversation.

We support 23 across our area, attended by an average of 1,238 people per month.

Up from 13 in 22/23.



“The weekly events have a very lovely atmosphere. All the volunteers are fantastic and help to make the mornings what they are. Some people who attend come on their own, but there are always many friendly people to meet and get to know.”

Carol, who attends the Long Sutton Community Cuppa





Our people and culture

Through our wellbeing programme we...



...funded **counselling for 170 colleagues**



...gave **occupational health referrals to 48 people**



...made **16 referrals for menopause support**



We encourage our teams to make a difference by taking part in community activity.

148 colleagues have given 1,123 community hours to 47 activities.

Down from 455 volunteers giving 2,475 hours to 71 projects in 2022/23.



All colleagues benefitted from at least a

3.75% payrise



84% of our teams have a Mental Health First Aider

a nationally- recognised qualification which trains people to support fellow colleagues or customers when mental health issues arise.

62

colleagues are studying for an apprenticeship.



Down from 89 in 2022/23.



We ran four Jobs 22 programmes, which are part of the Government Restart scheme aiming to get people into work.

47 people completed the scheme.

Up from 40 in 2022/23.



Protecting our colleagues

Nationally, stats show that 87 per cent of retail workers have experienced verbal abuse and we're seeing an increase of threats and abusive behaviour against our colleagues.

To protect them and offer them greater security, this year, we trialled body-worn cameras at four locations. Following the success of the trial, we're now investing £200,000 to ensure these body-worn cameras are available in every one of our food stores and pharmacies, with a target deployment by the end of 2024.

“The body-cams make me feel a lot more confident and safe and happier coming into the workplace.”



We recognise our people with colleague awards for going above and beyond – those nominated receive a £25 award and a certificate. We gave out **1,010 such honours** this year.

We also honour colleagues further during **Colleague Awards Week** where we name outstanding individuals and the teams of the year.



2024's winners were:

Food			Pharmacy		
Gold	Silver	Bronze	Gold	Silver	Bronze
The Willows Food Store in Grimsby	Woodville Road Food Store in Boston	Tattershall Food Store	Liquorpond Street Pharmacy in Boston	Parkside Pharmacy in Boston	Washingborough and Birchwood Pharmacy in Lincoln
Travel		Funeral		Post Office	
Gold	Silver	Gold	Silver	Gold	Silver
Spalding Travel	Retford Travel	South Lincolnshire Crematorium in Surfleet	Newark Funeral Home	The Riddings Post Office, Scunthorpe	Old Leake Post Office

☆☆☆ Colleagues of the Year ☆☆☆

Helpful Colleague of the Year

Glen Wilson,
Pharmacist
at Market Street
in Gainsborough.

Inspiring Colleagues of the Year

Matt Brown,
Resourcing Manager
at Support Centre in Lincoln.

Alison Merrison,
Customer Service Assistant
at Long Sutton Food Store.

Trustworthy Colleagues of the Year

Long Sutton
Food Store.





Looking after our local environment

Our scope 1 and 2
CO₂ emissions were

7,246 tonnes



Our energy
consumption was
23,167 MWh

We now have over
64
hybrid and electric
vehicles in our fleet



CO₂ refrigeration in
29
stores

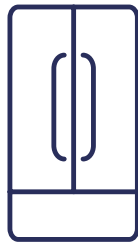


We've removed
gas boilers from

10
sites



84%
of our food
stores have
fridge doors,
which cut
energy costs
by 20%



We have **46** Salvation Army
clothing banks at our outlets
to enable our customers to
recycle textiles.

Carbon emissions

Total Energy use	2024 kWh '000s	2023 kWh '000s
Electricity	19,944	19,382
Gas	3,223	3,405

Emissions	2024 Tonnes CO ₂ e	2023 Tonnes CO ₂ e
Scope 1		
Gas	591	624
Transport	528	581
Refrigerant gas	1,998	1,686
Scope 2*		
Purchased electricity	4,129	4,013
Less renewables	-	(1,296)
Electricity from non-renewables	4,129	2,717
Scope 3		
Employee business travel	168	157
Total emissions from non-renewables	7,414	5,765
Intensity ratio (Tonnes CO ₂ e per £1m turnover)	19.7	16.3

CO₂e (carbon dioxide equivalent) is CO₂ equivalent
for various greenhouse gases

* Emissions have increased due to the Society leaving the
Renewable Energy Guarantees of Origin (REGO) scheme.

Carbon emissions

The Society's emissions for the FYE 2024 have increased across scope 1 and 2. Scope 1 emissions have increased by 226tCO₂e due to refrigerant gas losses occurring in older refrigeration units. These older systems are currently being replaced with CO₂ refrigeration as part of our planned store refit cycle. Elsewhere, we have removed gas heating systems from 10 sites, this alongside transitioning to Ultra Low Emission Vehicles (ULEV) have helped reduce scope 1 emissions from gas and transport. Across scope 2, emissions for FYE 2024 have increased due to the Society leaving the Renewable Energy Guarantees of Origin (REGO) scheme in January 2023. As committed last year, savings from the ceased REGO contract have been re-invested into solar panels, with the Society now having installed panels at 18 sites, with a further 54 sites planned and supported by more than £2million of investment.

Actions underway

This year the Society has undergone a push in sustainability. While previous efforts have continued, we have worked with 'Simply Sustainable', an environmental consultants, to develop an Environmental Sustainability Strategy through to 2030, built across pillars of waste, climate impact and responsible sourcing.

Developing our targets and actions within the strategy will continue into early 2025.

Following this work, we aim to submit our targets for validation with the Science Based Targets initiative (SBTi). This work will provide Lincolnshire Co-op with targets and action plans to help achieve the ambitious goals set on the pathway to 2030.

Alongside the creation of our Environmental Sustainability Strategy, the Society has completed its audit for the Energy Savings Opportunity Scheme (ESOS). This highlighted a number of opportunities to improve our energy efficiency. Work on this project continues into next year, submitting the Society's publicly available ESOS action plan to the Environment Agency.

We're investing **£2million** in fitting solar panels

to 62 more Lincolnshire Co-op sites.

We already had solar panels on 11 sites, generating 225,000 kilowatt hours (KWH) a year.

The new sites are anticipated to produce an additional 1.8 million kilowatt hours (KWH) a year.

Buildings with solar panels will use approximately 30% solar energy and Lincolnshire Co-op's overall indirect CO2 emissions will be reduced by an estimated 10%.

Lincolnshire Co-op have been working with energy saving experts SOL PV Group to get the first eight sites up and running, Scawby, Morton, Barrowby, Barnetby le Wold, Springfield Road in Grantham, Clipstone, Keelby and Skellingthorpe Road in Lincoln and the remaining 54 sites - mostly food stores - will have solar panels fitted by summer 2025.

Once complete,
this project is estimated
to contribute to

10% of the Society's
energy demand

and reduce scope 2
emissions by an estimated

10%





Corporate governance report

Governance highlights



Director elections

We welcomed three new members to the Society's Board (Lesley Robinson, Ash Wilks, Mike Wistow), and one of our existing Directors was re-elected (Claudia Nel). For the three new Directors a thorough induction has been undertaken to build their knowledge of the Society and its operations.



Appointment of Claire-Jayne Green

The Board welcomed the appointment of Claire-Jayne Green to the Society Board in July 2024.

Claire-Jayne Green is a HR professional who has been Chief Executive Officer for Atalian Servest Limited and held a number of senior HR, non-executive and trustee positions. Given this, Claire-Jane Green brings a combination of commercial experience and HR based leadership to the Society's Board.



Rule Book

The Society's amended Rule Book was approved by members at the Half Year Meeting held at Center Parcs and received Financial Conduct Authority (FCA) approval on the 14th August.



Corporate Governance Framework

The recent Board Effectiveness Review provided recommendations on the Society's Corporate Governance Framework that would further enhance the governance processes at the Society. These have been implemented over the course of the year and have led to a revised Committee structure and refreshed Terms of References to not only align with the recommendation but also wider best practice. Further details can be found on pages 39-40.



Members' meetings

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

How is the Society governed?

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

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

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

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

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

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

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

Director duties

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

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

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

Board and committee membership and attendance

The directors attend Board and committee meetings throughout the year and have the opportunity to attend meetings in person or virtually. Two full day meetings involving the Main Board and the executive team are also held to review the Society's strategy. The table below sets out attendance for all meetings taking place during the 12 month period ending 7th September 2024.

	Main Board	Audit and Risk Committee	Remuneration Committee	Search and Membership Committee*	Search and Governance Committee**	Member Engagement committee***
Nicola Berry	10/11	-	-	-	-	2/2
David Cowell	11/11	-	4/4	-	3/3	-
Mark Fields	11/11	-	-	-	3/3	-
Claire-Jayne Green ¹	2/2	-	1/1	-	-	-
Ian Haldenby	10/11	4/4	-	-	-	-
Stephen Hughes ³	10/10	3/3	-	1/1	-	1/1
Jane Moate	11/11	-	4/4	0/1	3/3	-
Jackie Munn	10/11	4/4	3/4	-	3/3	-
Claudia Nel	11/11	1/1	4/4	1/1	-	-
Lesley Robinson ²	1/1	1/1	-	-	-	-
Julia Romney ⁴	10/10	-	-	-	-	1/1
James Scott ³	10/10	-	-	1/1	-	1/1
Richard Wills ²	11/11	3/3	-	-	-	2/2
Ash Wilks	1/1	-	-	-	-	1/1
Michael Wistow	1/1	-	-	-	-	-

¹ Appointed 1st June 2024

² Elected 8th June 2024

³ Unsuccessful re-election 8th June 2024

⁴ Retired from position 8th June 2024

*Disbanded from 11th December 2023

**Formation from 11th December 2023

*** Formation from 11th December 2023

External directorships and other relevant appointments

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

Director	Appointment(s)
David Cowell	Director PCA Partnership Ltd NED and Trustee Bishops Council of Diocesan Trustees - (CofE Lincolnshire) Trustee Worshipful Company of Marketors Charitable Trust Co-operative Development Agency board member
Richard Wills	Methodist Church Trusteeships: Reepham Church Council & Lincoln Circuit Chair of Methodist International Centre Ltd Trustee of J R Halkes Trust
Ian Haldenby	Group Internal Audit Director – PIB Group Member of Lincolnshire County Council Audit and Risk Committee
Claire-Jayne Green	Co-founder and Director BraveGoose Ltd
Nicola Berry	
Mark Fields	Owner/Director of Medefix Ltd
Jane Moate	
Jackie Munn	Director Burton Waters Management Limited
Claudia Nel	Member of the Trust William Alvey Church of England School, Sleaford
Lesley Robinson	Director Lincolnshire Rural Housing Association Director Grow Incredible C.I.C
Ashley Wilks	Director Wallbreaker Ltd Director StageSoft
Mike Wistow	Founder Aegir Consulting Limited Chair UK Society for Co-operative Studies

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

Risk governance

The Board has delegated authority to the Audit and Risk Committee which has overall accountability for the Society's risk management with day-to-day management the responsibility of the Executive Leadership Team (ELT) and supported by the risk team. The Board and ELT are committed to embedding a sound risk culture which is aligned with the principles and values of the Society. They aim to set the correct tone from the top and ensure that risk is an intrinsic element of the governance structure.

Risk management framework

Risk management is a critical component of our operations, helping to identify potential challenges the Society may encounter and enabling the proactive avoidance or management of risks that may impact our ability to achieve our strategic and operational objectives. Effective risk management supports our teams to act with autonomy and accountability, using risk insights to guide informed decision-making and prioritising resources efficiently.

The risk framework is designed to proactively identify and mitigate potential risks, ensure regulatory compliance, improve operational efficiency, and build stakeholder confidence. The ELT are responsible for the day-to-day application of the risk framework and promoting a positive risk culture across the Society. Each functional team are tasked with creating risk registers for their respective areas and being transparent in reporting to the Society's risk team. This process involves a collaborative approach to ensure bottom-up visibility of potential risks.

Risk assessment

The risk owner identifies relevant controls for each risk and evaluates its impact based on both financial and non-financial criteria, along with the likelihood of occurrence using consistent metrics.

These assessments take into account existing controls, resulting in a net or residual risk evaluation.

Each identified risk is aligned with one of the Society's Principal Risks, allowing the risk team to assess its materiality, interdependencies, and the potential impacts of a principal risk materialising.



Emerging risks

Certain risks, categorized as emerging, are more difficult to quantify due to limited available information, which hampers a clear understanding of potential consequences. These risks are closely monitored until more data becomes available to facilitate a better assessment.

Principal risks

The Society's Principal Risks are set out below. They are subject to regular review in light of the Society's operating environment and any changes to the legal, economic, social and other relevant factors.

Key



Caring for our health and wellbeing



Building strength in the long term






Providing and supporting valued services








Looking after our local environment

CEO: Chief Executive Officer, **CFO:** Chief Financial Officer, **CPO:** Chief People Officer, **CPPO:** Chief Purpose and Proposition Officer, **GS&GC:** Group Secretary and General Counsel

1. Business strategy		Executive risk owner: CEO	
Link to our strategy: 	What is the risk? The current strategy becomes outdated and does not support the Society's purpose.	What is the impact? <ul style="list-style-type: none"> • We invest financial and people resources into the wrong initiatives. • The outcomes are not aligned to the Society's purpose. 	How do we manage it? <ul style="list-style-type: none"> • The Board and Executive Leadership Team (ELT) undertake detailed reviews and pivot plans where appropriate. • Ongoing reviews of the internal and external business environment by the Strategy team providing regular updates to the Board and ELT.
2. Change management		Executive risk owner: CEO	
Link to our strategy: 	What is the risk? We fail to deliver the forecast outcomes and anticipated benefits that support our purpose driven strategic objectives.	What is the impact? <ul style="list-style-type: none"> • We do not achieve the forecast revenue and profit growth which would be used to invest in our purpose within the communities we serve. 	How do we manage it? <ul style="list-style-type: none"> • Strengthen our teams to ensure there is the capability and capacity required to deliver the Society's transformation programme. • Inhouse Project Management Office (PMO) providing project governance across the transformation programme.
3. Customer trends		Executive risk owner: CPPO	
Link to our strategy: 	What is the risk? We fail to understand or react in a timely manner to customer demands and needs.	What is the impact? <ul style="list-style-type: none"> • Competitors who adapt to changing trends can capture customers, resulting in a decline in the Society's market share. • Failure to adapt our offer can lead to lower sales volumes impacting overall financial performance. 	How do we manage it? <ul style="list-style-type: none"> • Conduct surveys and gather feedback from members to understand their preferences and expectations. • Establish strong relationships with our members through regular communication and social media engagement. • Monitor competitors and their strategies to identify shifts in consumer trends.

4. Competition			Executive risk owner: COO
Link to our strategy: 	What is the risk? Increased activity from both new and existing competitors, driven by factors such as pricing strategies, service offerings, or emerging market trends.	What is the impact? <ul style="list-style-type: none"> • Reduced market share as customers switch to competitors. • Pricing pressures result in reduced margins and subsequent profitability. 	How do we manage it? <ul style="list-style-type: none"> • Offer a unique proposition for our members which benefits the communities in which we serve. • Assess potential competition risks and develop appropriate contingency plans. • Adopt strategies beyond price that allows flexibility to respond to competitive pressures without sacrificing profitability.
5. Legal and Regulatory Compliance			Executive risk owner: GS&GC
Link to our strategy: 	What is the risk? Failure to identify new or changes to existing laws and regulations.	What is the impact? <ul style="list-style-type: none"> • Financial penalties, including fines or sanctions from regulatory authorities. • Impact on reputation, eroding customer, member and stakeholder trust. • Non-compliance may result in restrictions on market access i.e. the ability to supply pharmaceuticals through our pharmacies. 	How do we manage it? <ul style="list-style-type: none"> • Regularly track changes in laws, regulations, and industry standards. • Provide regular training sessions for colleagues to ensure they understand the legal and regulatory requirements relevant to their roles. • Code of Conduct that aligns with legal and regulatory standards, ensuring all colleagues are aware of their ethical and legal responsibilities.
6. Health and safety			Executive risk owner: GS&GC
Link to our strategy: 	What is the risk? Failure to comply with H&S legislation which may result in death or injury to customers, colleagues or third parties whilst working on behalf of the Society.	What is the impact? <ul style="list-style-type: none"> • Non-compliance can lead to fines, legal action, and possible criminal charges for the organisation or responsible individuals. • Repeated or serious violations can harm the organization's reputation, reducing customer trust and employee morale. 	How do we manage it? <ul style="list-style-type: none"> • Regular inspections and audits of the workplace to identify potential health and safety hazards undertaken by inhouse Health and Safety team. • Wellness programmes that focus on employees' physical and mental well-being. • Provide regular health and safety training for all employees.

7. Talent attraction and retention			Executive risk owner: CPO
Link to our strategy: 	What is the risk? Failure to attract, develop, motivate and retain colleagues.	What is the impact? <ul style="list-style-type: none"> Increases recruitment efforts and costs, including advertising, agency fees, and extended hiring timelines. Loss of critical expertise impacting decision-making and operations. 	How do we manage it? <ul style="list-style-type: none"> Benchmark salaries to ensure competitiveness. Offer a range of benefits and wellness programmes. Provide access to training and courses that align with colleagues' career goals and skills development.
8. Information security			Executive risk owner: CFO
Link to our strategy: 	What is the risk? Risk of data loss due to an external cyberattack or an internal security breach.	What is the impact? <ul style="list-style-type: none"> A cyberattack or breach can cause system downtime, halting business operations and disrupting services and impact our services to customers. Non-compliance with data protection laws (e.g., GDPR) can result in substantial fines and sanctions. Damage to reputation, leading to a loss of customer trust, potential loss of business, and negative media coverage. 	How do we manage it? <ul style="list-style-type: none"> Regularly update software, operating systems, and applications with the latest security patches to mitigate vulnerabilities Conduct penetration tests to identify vulnerabilities in systems and networks. Perform regular backups of critical data to ensure the Society is able to restore operations in the event of data loss or ransomware attacks. Colleague training such as recognising phishing emails, using strong passwords, and safely handling sensitive data.
9. Economic environment			Executive risk owner: CFO
Link to our strategy: 	What is the risk? Prolonged or unforeseen impacts from local, national, and global events.	What is the impact? <ul style="list-style-type: none"> Economic downturns, inflation, or reduced consumer spending negatively affecting sales and revenue. Change in customer buying habits towards more affordable options. Reduced demand for premium products. Wider international events can disrupt supply chains, leading to delays, higher costs, or shortages of key materials. 	How do we manage it? <ul style="list-style-type: none"> Regularly review and streamline operations when necessary to reduce costs and the impact of rising expenses. Ensure adequate liquidity and cash reserves to weather economic downturns and maintain operational stability. Monitor macroeconomic indicators (e.g., inflation, GDP growth, interest rates) and regulatory changes that could signal emerging risks and react accordingly.

10. Business continuity			Executive risk owner: COO
Link to our strategy: 	What is the risk? Inability to maintain one or more services to our customers due to unplanned disruption.	What is the impact? <ul style="list-style-type: none"> • Inability to deliver services or products to customers. • Impact on sales and potential longer term financial performance. • Damage to reputation, erosion of customer trust and potential move to competitors. 	How do we manage it? <ul style="list-style-type: none"> • Disaster Recovery plan in place specifically for IT-related disruptions. • Documented Crisis Management plan covering significant events with periodic testing in place. • Assessments of key suppliers and third parties facing disruptions, their ability to recover and the impact on the Society.
11. Pandemic			Executive risk owner: GS&GC
Link to our strategy: 	What is the risk? Unknown impact on the Society caused by a future pandemic	What is the impact? <ul style="list-style-type: none"> • Employees may become ill, require quarantine, or be unable to work due leading to reduced workforce availability. • Declines in revenue due to reduced demand or inability to operate. • Mandated lockdowns or quarantine measures can force us to shut offices, and retail locations. • Disruption to supply chain impacting the availability of food and pharmaceuticals. 	How do we manage it? <ul style="list-style-type: none"> • Established crisis management team responsible for decision-making and coordination during a pandemic. • Implement health and safety protocols to ensure employee wellbeing aligned to government guidance e.g. hygiene procedures, workplace modifications and remote working. • Continual monitoring of the external environment and implement inventory buffers within our pharmacies to ensure continuity in case of supply chain disruptions.



Health and safety

The total number of health and safety accidents reported across the business has decreased 9% over the last year; a testament to the colleagues working in our stores, sites, and branches. Despite the business looking to grow and expand over the next 12 months, our aim is to see this downward trend continue, even with the potential for more colleagues, more sites, and more customers.

Looking back, significant investments in health and safety have been made, including over £250,000 on new entrance matting within our food stores to reduce the risk of slips, trips, and falls to customers. Other examples include the surveying of properties, to ensure their structural integrity in the wake of concrete structures failing across the nation, and greater investment in, and use of, our digital safety compliance platform, a system that provides visibility and promotes accountability across the organisation.

As part of our commitment to continual improvement, a new health, safety and security strategy is in development. This will align our efforts in keeping people safe, and our assets secure, as we move into the next financial year.



Data privacy

Over the past year, significant advancements have been made across the Society to strengthen our data privacy practices, improve compliance with data protection regulations, and foster a culture of data privacy governance. The data privacy theme for this year is building data privacy governance together. The concerted efforts of various business areas and project leads have led to measurable improvements in implementing data protection policies and embedding privacy by design and by default into our operations.

We conducted a comprehensive review of our data protection policies, ensuring they align with the latest regulatory requirements. For example, we updated our policies to strengthen cross-border data transfers by implementing key legal safeguards such as Standard Contractual Clauses (SCCs), conducting transfer impact assessments, and ensuring third-party security controls and due diligence.

To increase awareness, society-wide training sessions were conducted, and regular privacy tips were shared with colleagues.

Moving forward, we will continue to enhance our practices and strengthen our commitment to data privacy and protection. We will focus on enhancing third-party risk management, strengthening internal processes on data handling practices and expanding the training scope to cover specific areas like artificial intelligence, where data privacy concerns are evolving rapidly.



Whistleblowing

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



Anti-bribery

At Lincolnshire Co-op, we conduct all our business in an honest and ethical manner in line with our values of being helpful, inspiring, and trustworthy. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery and corruption. We have a zero tolerance towards bribery and will never permit or authorise the offering, making, or receiving of a bribe. No reported instances of bribery were recorded during the year ending 7th September 2024. Recommendations arising from the Society's internal audit review will be implemented through an updated Gifts & Hospitality policy, enhanced declaration and approval processes, and colleague training.



Money laundering and financial crime

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

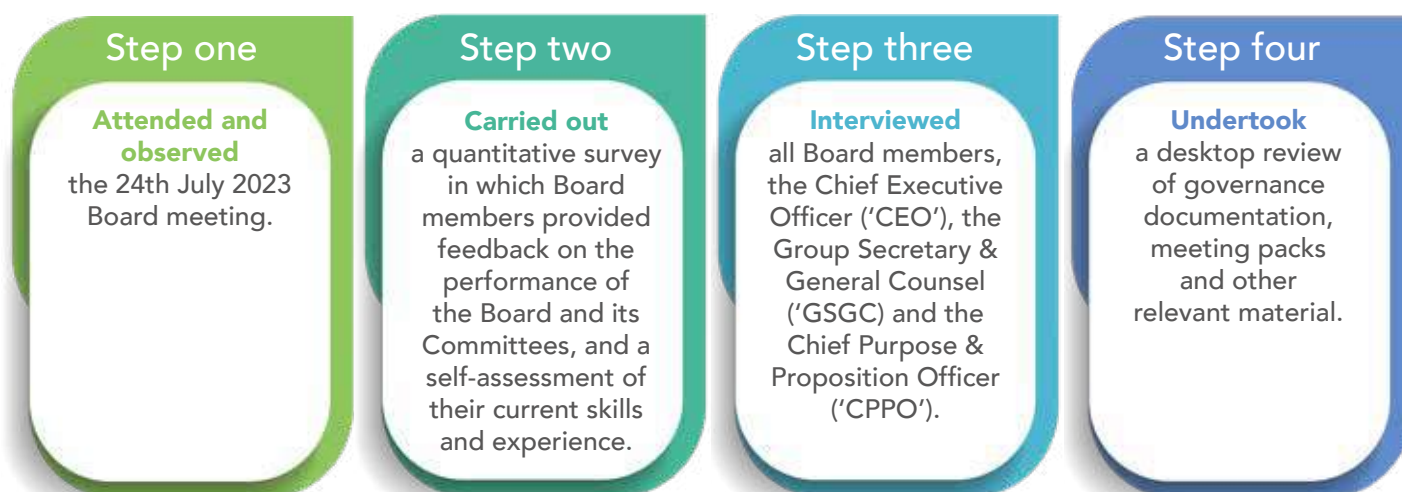
Assessing Board performance

The Board monitors and improves performance by reflecting on the continuing effectiveness of its activities, the quality of its decisions and by considering the individual and collective contribution made by each Board member. This is assessed annually through the Board Effectiveness Review.

The 2023/24 Board Effectiveness Review was facilitated by Indigo Independent Governance Limited ('Indigo'). Outside of the Board and Board Committee performance review work, there is no other contractual connection between the Society or the individual Directors and Indigo.

2023/24 Board performance review process

In undertaking their review, Indigo undertook the following activities:



2023/24 findings and actions

Whilst the Board was confirmed to be operating effectively, some opportunities for continued improvement and refinement were identified. A suite of actions was therefore agreed, against which progress which has been tracked over the course of 2024. These fell into differing categories such as the Board structure and tenure, effectiveness of Board committees and systems of delegation, the skills, competency and training requirements of the Board, succession planning and Board operations.

Individual Director performance

Individual Director performance and contribution was assessed through one-to-one meetings with the Chair and the Group Secretary & General Counsel. These sessions allowed reflection on personal development and discussion of matters relevant to Boardroom culture and process.

Chair performance

The performance of the Chair was evaluated by the GSGC, Chair of the Remuneration Committee and Society President based on individual feedback and collective discussion from the non-Executive Directors. The outcome was agreement that the Chair continued to devote sufficient time to the role and demonstrated effective leadership of the Board.

Audit & Risk Committee

Committee membership (as at 7th September 2024):

Ian Haldenby (Chair), **Stephen Hughes** (up to and including 8th July 2024), **Jackie Munn**, **Claudia Nel** (with effect from 8th July 2024), **Lesley Robinson** (with effect from 8th July 2024), **Richard Wills** (up to and including 8th July 2024).

Committee purpose:

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



A full copy of the Committee's Terms of Reference can be found at:
lincolnshire.coop/board

Chair's summary

“As we move into the delivery phase of our Purpose beyond Profit strategic transformation, effective risk management supported by strong reporting and assurance continue to be key areas of focus for the Audit & Risk Committee. We now have a dedicated inhouse internal audit capability delivering the internal audit programme and wider support to the business ensuring our internal controls are effective. The Committee is satisfied that the assessments and results contained in this Annual Report are fair, balanced and understandable.”



Ian Haldenby

Going concern assessment

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

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

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

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

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

Annual Report

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

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

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

Auditor independence

The Audit and Risk Committee is responsible for assessing the effectiveness of the annual audit process, monitoring the independence and objectivity of the external auditor and making recommendations to the Board in relation to the appointment, reappointment, remuneration and removal of the external auditor.

As part of its annual assessment of the effectiveness of the external audit process, the Committee conducts a formal review whereby members of the Committee consider the performance, qualifications, expertise, resources, independence and objectivity of the external auditor. The results of the review are discussed by the Committee without the external auditor being present and any actions or suggestions about the external process are subsequently discussed with the external auditor.

The Committee has reviewed and approved the external auditor's overall work plan which further ensures that the process is effective. In order to safeguard auditor objectivity and independence, the Committee maintains a formal policy which governs the engagement of the external auditor for non-audit services. The policy is designed to ensure that the provision of such services does not have an impact on the external auditor's independence and objectivity. This policy identifies services which can only be undertaken with appropriate authority from the Committee where non-audit fees will exceed pre-set thresholds. The external auditor may only provide such services if the associated advice does not conflict with their statutory responsibilities and ethical guidance. The Committee receives regular information on the fees paid for non-audit work to the audit firm, an annual report on the non-audit services being provided and the cumulative total of non-audit fees. Details of the audit fee can be found on page 56.

The Society's Control Framework and Internal Audit Programme

Internal audit is a vital source of assurance for the Audit & Risk Committee and, ultimately, the Board that the delivery of the Society's purpose and trading activities is undertaken in line with settled risk appetite and tolerances, and within a robust internal control framework. The Society performs independent reviews of regulatory, operational and financial control procedures across the business and reports its findings to the Audit & Risk Committee.

In January 2024, the Society entered into a co-sourced arrangement between the newly appointed internal resource and BDO (a specialist provider of professional services including internal audit). Under the co-sourcing arrangement, audits are undertaken using the Society's internal audit framework. Throughout this financial year, the Committee has received reports covering the following risk areas:

- IT general controls
- Supply chain resilience
- Budget process.
- Implementation of the Society's new HR and Payroll system, 'My Place' (phase two)
- Complaints management

The reviews identified internal control improvements designed to the strengthen the Society's control environment and where applicable address process inefficiencies.

The Internal Audit team monitors progress on management action plans to ensure that process improvements identified in Internal Audit Reports are implemented. This progress is reported to the Audit & Risk Committee on a quarterly basis.

Risk Management

The Committee has continued to receive detailed reports from the Executive and Head of Risk & Assurance on key risk areas. The Committee receive specific updates on the progress, risks and mitigation activities surrounding our Transformation and Sustainability strategic programmes. The Society has a centralised risk management system that records and monitors the Society's Principal risks, and the controls and actions needed to mitigate them. The Group Secretary & General Counsel, with support from the Head of Risk & Assurance, monitors the compliance and effectiveness of all measures noted against each of the Society's documented risk registers.

Approval

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



Ian Haldenby
Chair of the Audit & Risk Committee

Chair Report: Remuneration Committee

Committee membership (as at 7th September 2024):

Claire-Jayne Green (Chair, with effect from 1st June 2024), **David Cowell**,
Jane Moate (Chaired the Committee up to and including 31st May 2024),
Jackie Munn, **Claudia Nel** (up to and including 8th July 2024)

Committee purpose:

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



A full copy of the Committee's Terms of Reference can be found at:
lincolnshire.coop/board

Chair's summary

“The Remuneration Committee has been pleased to oversee continued development of the Society's Executive and Leadership teams, with key permanent appointments made to both the Chief Financial Officer and Chief Operating Officer roles. Once again, the Society has recognised the continued impact of the cost of living on our colleagues and supported higher pay increases for front line positions including the customer service assistant role. At our half year member's meeting, our previous Committee Chair, Jane Moate, outlined a proposal to adjust the remuneration paid to Society Directors, ensuring that the Board can continue to attract the skills and experience needed to fulfil its duties. It was positive to see our members support this proposal and recognise the important role the Board plays in providing oversight and direction to our Executive Leadership Team (ELT). This year also marks the first time we have published details of our ELT remuneration. It is a core principle of governance and the Society's own values that we promote transparency and accountability, including in our disclosures and reporting to members. We have noted a year on year increase in the Society's gender pay gap, and will of course take active steps to ensure this remains an area of focus for the Committee over the coming year as part of the wider approach to diversity and inclusion.”



Claire-Jayne Green

Directors Remuneration

The Board must ensure that the Society's approach to remuneration is fair, transparent and aligned with Co-operative values and principles. The Co-operative Corporate Governance Code recommends that Director remuneration should be regularly reviewed and at least every three (3) years. Remuneration policies and practices should recognise the commitment expected of Directors, and be aligned to the purpose and values of the Society and successful delivery of its strategy. Appropriate remuneration is important in not only driving selection and appointment, but also retaining skills and experience in key positions. It is a core corporate governance principle that Directors must not fix their own remuneration.

The Committee commissioned a review of Director's fees at the start of this year. To ensure that this review was undertaken objectively and in full compliance with the provisions described above, the Society's Remuneration Committee retained Ernst & Young, a specialist external advisory firm with significant experience in reviewing Non-Executive Director pay. EY determined that Co-operatives represented the best sector comparator and there was little insight that would support moving outside the associated range of remuneration into other sectors or benchmarks. Both the Remuneration Committee and the main Society Board approved the process followed, and final recommendations produced by Ernst & Young.

The final proposal was put before our members at the Society's half yearly meeting held this year on 8th June 2024, with the following revised fee structure approved:

Role	Previous fee*	New fees effective 1st July 2024
Base Director Fee	£9,447.53 p.a.	£9,500.00 p.a.
Board Chair	£15,560.80 p.a.	£25,000 p.a.
President	£11,337.03 p.a.	£11,400.00 p.a.
Chair of A&R Committee	£120.51 p.a.	£2,500 p.a.
Chair of Remuneration Committee	£120.51 p.a.	£1,500 p.a.
Chair of Search & Governance Committee	N/A	Covered by additional Board Chair fee.
Chair of Member Engagement Committee	N/A	N/A
Committee Membership Fee	£422.19 p.a. for A&R and Remuneration Committees.	£750 p.a. for each committee.

*Excludes any individually set supplemental fees for appointed Directors.

As a result, individual Directors' total gross remuneration (including expenses etc.) were as follows:

	Year ended 2nd September 2023	Year ended 7th September 2024
Julia Romney ¹	8,892	7,492
Stephen Hughes ²	9,707	8,432
Jane Moate	9,558	10,092
Claudia Nel	11,318	9,929
Nicola Berry	10,435	11,562
Richard Wills	9,240	10,302
David Cowell	81,091	33,158
Ian Haldenby	22,587	15,744
James Scott ²	8,926	7,842
Jackie Munn	9,459	10,264
Mark Fields	1,714	9,510
Claire-Jayne Green ³	-	2,196
Michael Wistow ⁴	-	1,853
Ash Wilks ⁴	-	1,853
Lesley Robinson ⁴	-	1,853

¹ Retired with effect from 8th June 2024.

² Term ended with effect from 8th June 2024.

³ Appointed with effect from 11th April 2024.

⁴ Elected with effect from 8th June 2024.

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

- The Board Chair received additional remuneration of £18,288 in recognition of the skills, experience and additional time and duties expected of him in the oversight of changes taking place within the Society's Executive Leadership Team, and the Board Effectiveness Review.
- The Chair of the Audit & Risk Committee received additional remuneration of £7,706 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.

This additional remuneration for both Directors expired on 1st July 2024 when the new base fee structure described above took full effect. The Committee is confident that having completed a significant period of transition and resetting the remuneration structure, there is no anticipated need to pay any additional fees beyond those set out in the table above.

Directors also receive mileage allowances for using their own cars, reimbursement of public transport fares and reasonable actual expenditure for parking, meals and hotels in line with the Society's documented Expenses Policy. No other additional remuneration was paid to Directors for the year to 7th September 2024.

The Society's Executive Leadership Team ("ELT")

The Committee has overseen the final appointments during this year financial year that have completed the transition to a permanent ELT.

Mark Finn, a long serving member of the former Senior Leadership Team, retired at the end of 2023 and was succeeded as Chief Operating Officer by Steve Leach. The Board of Directors wish Mark every success for the future and thank him for his contribution to the Society, over many years with us. The Society appointed an interim Chief Financial Officer, Henry Breese, who has provided continuity at a crucial time pending Paul Howard's permanent appointment as Chief Financial Officer.

We look forward to seeing the continued development of the ELT, and remain confident that their direction and leadership will promote strong engagement throughout our wider colleague teams.

Colleague pay

2024 has once again seen increased cost of living challenges affecting all of our colleagues, and particularly those at the front line. The Society has also faced strong economic headwinds during the course of the financial year, which has also influenced the affordability of remuneration and other financial decisions. Notwithstanding these factors, the Committee was pleased to support a general colleague pay increase of 3.75%. A period of consultation also took place with our recognised trade union USDAW on the Retail Pay Agreement, which covers most front line colleagues. Those covered received at least a 6% pay increase, with some customer facing roles seeing a larger increment. These increases ensure the Society continues to be an employer of choice, and retains the right talent and skills for the future.

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

The remuneration packages of the Chief Executive Officer and the Group Secretary & General Counsel are determined by the Board on the recommendation of the Remuneration Committee in accordance with remuneration principles and policy agreed by the Board. The Chief Executive Officer and the Group Secretary & General Counsel under the arrangements outlined in this report, do not play any part in the consideration of determination of their own remuneration package.

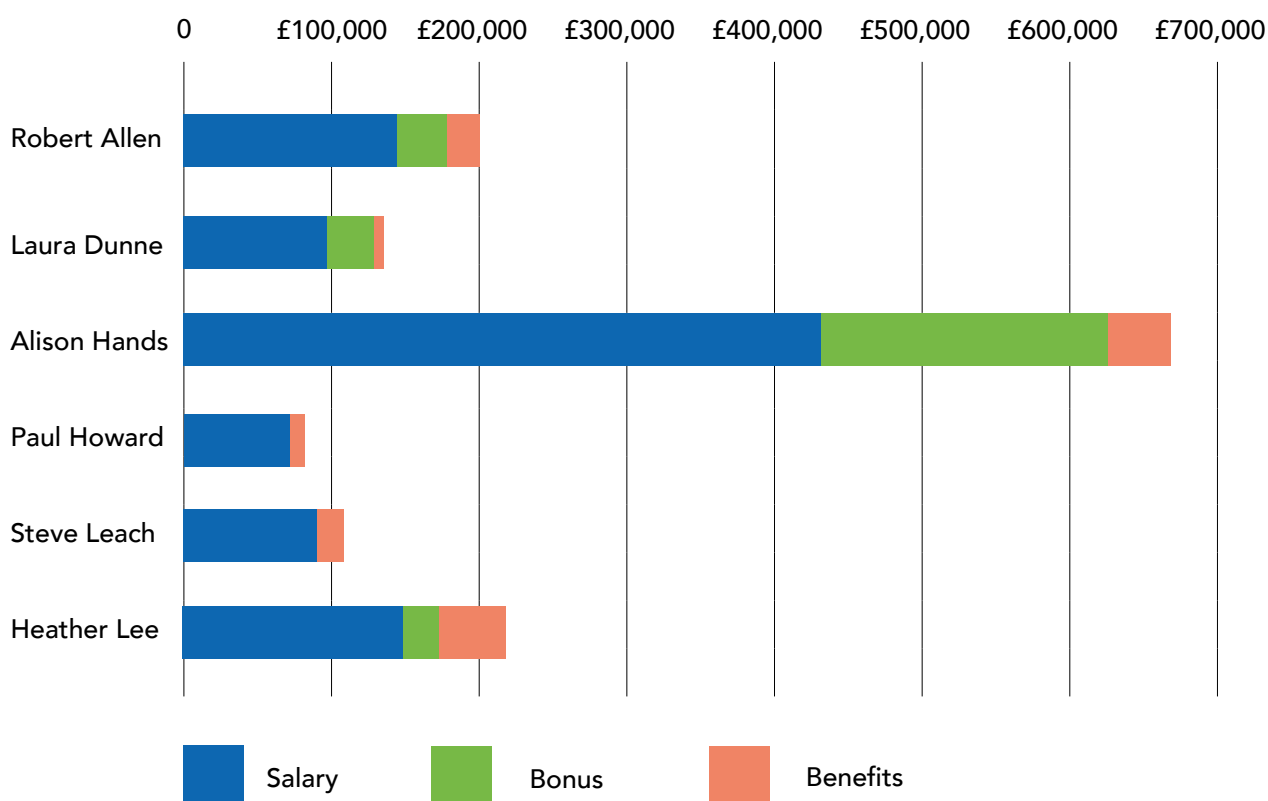
Determination of the remuneration packages of other members of the ELT is delegated to the Chief Executive Officer who discusses her approach and conclusions with the Committee.

Mrs C Finn, wife of Mark Finn, provided therapist services to the Society to the value of £12,735 during the period that Mark Finn was in office. Mark Finn had no involvement in the procurement of these services.

The Chief Executive Officer and the Committee feel strongly that the Society should be fully transparent in its publication of executive pay and benefits, and this year marks a change in reporting which means specific remuneration for each current ELT role has been disclosed. The emoluments for ELT members in position at the year-end including salary, performance related pay, bonus, pension contributions and taxable benefits are outlined below:

ELT emoluments

Graph and table show those in ELT position on 7th September 2024



Summary	Salary	Bonus	Benefits	Total
Robert Allen	£148,086	£35,618	£18,028	£201,733
Laura Dunne	£99,041	£19,110	£5,328	£123,479
Alison Hands	£420,019	£193,855	£60,633	£674,507
Paul Howard	£74,045*	£0	£14,787	£88,832
Steve Leach	£93,084*	£0	£17,296	£110,381
Heather Lee	£144,830	£26,484	£44,714	£216,028

* Commenced employment on 18th March 2024

The total ELT emoluments for year ended 7th September 2024 were £1,943,000
The total ELT emoluments for year ended 2nd September 2023 were £2,151,000

External Advisors

The Committee appointed Co-operatives UK to be its remuneration advisors for 2023/24. The Committee keeps its external advisory arrangements under review and will ensure any future engagements reflect particular needs of the Society, having regard to business changes and the relevant legal and economic landscape.

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.

This year's calculation shows that the CEO pay is 25.5 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	50th percentile ratio (Median)	75th percentile ratio
2024	Option B	25.5	25.5	22.9
2023	Option B	27.3	27.3	24.3

*Option B allows the relevant employer organisation to select three employees from their latest gender pay gap information to determine each of the quarterly percentile brackets shown in the table.

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. Members of the Remuneration Committee are content that the CEO pay ratio is consistent with the Society's wider policies on pay, reward and progression, and comparable to other CEO pay ratios that exist within co-operative and retail organisations.

Colleague Bonus and Profit Share Arrangements

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

The Society also operates a colleague profit share scheme. Subject to Board approval, all eligible colleagues receive a profit share payment equivalent for each full year of trading. For the year to September 2024, colleagues were awarded a bonus of 47% of a weekly wage.

Gender Pay Gap Reporting

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 April 2024 can be found on the Society's website: lincolnshire.coop/financialreports. Nationally, more females work in part-time roles than males, which impacts gender pay results and our data reflects this.

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. The Society's pay gaps are summarised below (with a comparison to 2023's figures):

Gender pay gap

- Our mean hourly pay gap has increased to 21% from 19% in 2023.
- Our median hourly pay gap has increased to 8% from 5% in 2023.

Bonus pay gap

- Our mean bonus pay gap has decreased to 57% from 59% in 2023.
- Our median bonus pay gap has decreased to 22% from 25% in 2023.

We plan to address the increased pay gap by focusing on three main 'action pillars':

(i) Recruitment: We will increase diversity within our workforce through inclusive recruitment. We have reduced gendered language throughout the recruitment pipeline, and improved internal communication on available roles. Our careers website has been refreshed to highlight the diversity of our workforce and the support and opportunities we provide for all our colleagues. We have also improved data gathering throughout the recruitment process to help us understand if there are any obstacles to inclusive recruitment.

(ii) Retention: We are working hard to develop our colleagues, encouraging the uptake of opportunities. We have funded apprenticeship opportunities across the trading areas and work with local colleges to deliver management T-levels. Our new HR and Payroll system will provide 'in the moment' data relating to our colleagues, helping to clearly identify and monitor appropriate demographic and other characteristic data. This will be part of a much bigger programme of cultural change that will take our business forward in 2025 and onwards.

(iii) Progression: We must ensure that there are balanced and equal progression opportunities. We are developing a People and Culture Strategy with a focus on embedding inclusive best practices, reducing inequalities and improving the lived experience of all our colleagues. Our annual performance and appraisal process has been refreshed to encourage clear goal setting and objective reporting to remove bias. Supported by our updated language guide, including the use of inclusive language throughout all our policies and communications.

Approval

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

Claire-Jayne

Claire-Jayne Green
Chair of the Remuneration Committee

Chair Report: Search & Governance Committee

Committee membership (as at 7th September 2024):

David Cowell (Chair), **Mark Fields** (up to and including 8th July 2024), **Jane Moate** (with effect from 8th July 2024), **Jackie Munn** (up to and including 8th July 2024), **Richard Wills** (with effect from 8th July 2024), **Mike Wistow** (with effect from 8th July 2024).

Committee purpose:

To ensure that the Board is of an appropriate size and balance of knowledge, skills and experience to lead the Society. Oversee orderly succession to both Board and senior management positions ensuring that there is a diverse pipeline for succession. Lastly, overseeing the Society's compliance with, and approach to all applicable regulation and guidance related to corporate governance matters.



A full copy of the Committee's Terms of Reference can be found at: lincolnshire.coop/board

Chair's summary

“ Our culture, values, behaviours, and business practices as a Board are based on best practices in corporate governance. We are aware of the effects that both our actions and decisions have on our immediate stakeholders and on society at large. The Search & Governance Committee has been pleased to oversee continued development of the Society's Governance Framework and Processes. The Committee has had oversight of the action plan put in place in response to the the recommendations from the 2023 external Board Effectiveness Review conducted by Indigo Governance. The Committee has supported the enhancement of the election process to ensure there is a robust, transparent process in place that fosters the development of a strong pipeline of skills, experience, and diversity for both this year's elections and future candidates presented to the membership. ”



David Cowell

Society elections

This year saw a contested election for four positions on the Board. The Society saw very high expressions of interest from eligible members and was the highest in recent history for the Society. We were pleased to welcome three new Directors and see the re-election of one existing Director, introducing new skills and experience within the Board whilst also maintaining a degree of continuity.

Each vote resulted in £1 donated to the Society's Community Champions fundraising, resulting in a grand total of £11,821 by the end of the election period.

The Committee has been pleased to oversee positive improvements to the Society's election process. For example, the Society introduced this year a fully online candidate management system which digitised the application process which had previously been managed through physical forms. This improvement led to an enhanced member experience when submitting their application.

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

Society Rule Book

The Rule Book is the foundation of all Lincolnshire Co-op's governance practices. It sets out (amongst other matters) the responsibilities of the Board and Executive Leadership Team, the rights of members, how Board and member meetings are convened, how decisions are taken, requirements for the election and appointment of Directors, and how the Society's profits are applied.

It is a fundamental principle of good corporate governance that the Society keeps its core governance documents and arrangements under review, both to ensure compliance with the law and best practice, but also alignment to the Society's wider strategic activities. As highlighted in last year's report the Board had commissioned an externally facilitated board effectiveness review at the end of 2023 (a practice recommended every three years under the Co-operative Corporate Governance Code) examining the Board roles and responsibilities, composition and tenure, procedures and documentation, stakeholder engagement and skills, competency and training.

A selection of the key changes to the Rule Book include:

- Clarification of the Society's restriction on political support. The amended Rule retains the basic restriction that support motivated solely by political reasons must not be given. However, it also ensures that the Society is not unduly restricted or prevented from supporting a cause or initiative that furthers its purpose or values, irrespective of whether a political party may also have indicated support for it.
- The explicit ability for the Board to approve matters in writing outside of scheduled Board meetings, to help improve the efficiency and effectiveness of governance.
- Enhanced Director conduct and suspension provisions, following best practice recommendations from Co-operatives UK.
- The ability to appoint a further fourth Director to the Board alongside the nine elected positions, providing greater access to skills and expertise that the Board may need to discharge its responsibilities.

Corporate Governance Framework

On the back of the 2023 external Board Effectiveness Review, the Society undertook a review of the Corporate Governance framework to reflect the recommendations from this exercise and further best principles and practice.

The review outlined that the Search & Membership Committee be 'split' in order to guarantee that the activities related to search, membership, and board governance received the proper focus required. As a result, the Member Engagement and Search & Governance Committees were established, and the Search and Membership Committee was dissolved.

Terms of references (“ToR”) has been updated to reflect this change along with the re-casting of all other ToR’s to ensure that best practice principles were accounted for. All the most up to date Terms of references can be found on the Society’s website and a summary of the changes are outlined below:

Committee	Amendments
Audit & Risk Committee	The Audit & Risk Committee ToR now includes explicit sustainability oversight provisions, and no longer retains obligations concerning general corporate governance. The references to “Compliance Monitoring” have also been clarified to reflect the Society’s management of, and adherence to compliance in practice (and the absence of any single compliance monitoring function or plan). The internal audit provisions better contemplate the Society’s provision of an in-house capability (through the Head of Risk & Assurance).
Remuneration Committee	The Remuneration Committee ToR has been updated to remove the current restriction on the President being its Chair (there is no material governance concern that would support a continuation of this restriction, and it may assist in future governance of the Committee where the designated Chair is unavailable and the President (assuming they are a member of the Committee) is able to step in and chair a meeting on an ad hoc basis). There is now an explicit reference to overseeing the promotion of equality, diversity, and inclusion principles within key people activities.
Search & Governance	The Search & Governance ToR combines the previous search and governance activities previously contained within the Audit & Risk and Search & Membership ToRs and the governance related oversight has been expanded to align with best practice. The search related element of the Committee’s remit also allows for the establishment of a sub-panel to assist in the preparation of recommendations on candidates featuring in the Society’s election process. Clearer provisions have also been included regarding succession planning (both in respect of the board and the executive leadership team).

In respect of all ToRs, adjustments have been made to recognise changes in other role and committee descriptions (for example, the replacement of the Society’s Senior Leadership Team with an Executive Leadership Team).

Approval

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

David

David Cowell
Chair of the Search and Governance Committee

Chair Report: Member Engagement Committee

Committee membership (as at 7th September 2024):

Richard Wills (Chair) (with effect from 8th July 2024), **Nicola Berry**, **Steve Hughes** (up to and including 8th July 2024), **Mark Fields** (with effect from 8th July 2024), **Julia Romney** (up to and including 8th July 2024) **James Scott** (up to and including 8th July 2024), **Ash Wilks** (with effect from 8th July 2024)

Committee purpose:

The role of the Member Engagement Committee is to oversee and promote the active engagement with the Society's members.



A full copy of the Committee's Terms of Reference can be found at:
lincolnshire.coop/board

Chair's summary

“What does it mean to be a Co-op member in the 21st Century? Democracy and engagement are certainly key values for our Society and this year's election demonstrated that within our membership there are many people with passion and commitment who are willing to be nominated for election as a director. We also need strong engagement across our communities, and have held successful member meetings supplemented by an extensive programme of activity led by the Co-op's dedicated membership team. As we make progress with our exciting growth plans, we shall be reviewing how the benefits of ownership can be developed for our members.”



Richard Wills

What we have done

As a Co-operative, the Society's Board is accountable to our members. Our directors and managers are proud of the Society's co-operative heritage and are committed to balancing Member interests with those of other customers, suppliers and community groups.

The Committee receives regular updates from the Marketing & Membership team regarding the programme of community and engagement activity that takes place throughout the year. Further information about this activity can be found on pages 12-13 of this report.

The Committee oversees the planning for the Society's two key member events in the year: the Half Year Members Meeting (HYMM) and the Annual Members Meeting (AMM). The Society seeks to encourage eligible Members to participate in both these, either by attending in person or on-line. The AMM and HYMM provide 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 each meeting. The voting process is overseen by the Society's Group Secretary & General Counsel. The results of the vote are published on the Society's website. All Directors attend the meeting unless their absence cannot be avoided. The 2023 AMM was held at the Lincolnshire Showground and the 2024 HYMM took place at Center Parcs Sherwood Forest, which attracted many members who had not previously participated. As well as dealing with formal resolutions, both events celebrated the Society's engagement with local communities.

Looking forward

The Committee has reviewed the feedback received from both the HYMM and AMM, and will consider all suggestions to the format and logistics and make appropriate changes for the meetings scheduled for the next year.

We welcome members' ideas that might improve our services or the membership offer. We will enhance such feedback during 2025 by undertaking more market research, which will help shape the benefits and discounts offered across the Society's array of goods and services.

Collectively, our members own Lincolnshire Co-op. We want to engage effectively with members so that we can make life better in our communities.

Approval

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

Richard Richard Wills
Chair of the Member Engagement Committee

Compliance Statement

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

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

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

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



Robert Allen

Robert Allen
Group Secretary &
General Counsel



David Cowell

David Cowell
Chair of the Board
of Directors



Alison Hands

Alison Hands
Chief Executive Officer

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

Opinion

We have audited the financial statements of Lincolnshire Co-operative Limited ("the Group") for the year ended 7 September 2024 which comprise of the Group Revenue Account, Group Statement of Comprehensive Income, Group Balance Sheet, Group Cash Flow Statement, 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 7th September 2024 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Board of Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report.

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 Statement of Directors' Responsibilities set out on page 46, the Board of Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Based on our understanding of the Group and their industries, 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 to revenue recognition (which we pinpointed to the cut-off assertion), pension assumptions and property valuation, and significant one-off or unusual transactions.

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

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

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

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

Use of the audit report

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

Other required reporting

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

Jennifer Birch

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

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 adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 47 to 67 are signed on behalf of the Board of Directors pursuant to the Co-operative and Community Benefit Societies Act 2014.

David Cowell

David Cowell Chair of the Board of Directors

Ian Haldenby

Ian Haldenby Director

Rob Allen

Rob Allen Group Secretary & General Counsel

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 is stated at fair value.

At 7th September 2024, the net assets of the Society were £305,381,000 and net current assets were £29,529,000. The Group has cash at bank at the year end of £32,392,000. 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 cost of inflation for the Society and potential impacts on sales revenue due to customer spending habits changing. The plausible downside forecasts indicate that the Group has sufficient liquidity, and the ability to operate within its financial covenants throughout the going concern period, such that it is able to continue to meet its liabilities as they fall due.

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

Basis of consolidation

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

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

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

Turnover

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

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

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

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

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

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

Repairs

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

Government grants

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

Government grants relating to capital fixed assets are accounted for under the performance model and credited to the Group Revenue Account when received or receivable, or when the performance-related conditions are met.

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.

Surpluses on Trading property revaluations are recognised in the Group Statement of Comprehensive Income and are accumulated in the Revaluation reserve, except to the extent that they reverse a previously charged impairment of the same asset, in which case the reversal is recorded in the Group Revenue Account.

Deficits on Trading property revaluations are recognised in the Group Statement of Comprehensive Income to the extent of any previously recognised revaluation increases accumulated in the Revaluation reserve. If a revaluation deficit exceeds the accumulated revaluation surpluses accumulated in the Revaluation reserve of the same asset, the excess is recorded in the Group Revenue Account.

Tangible fixed assets and depreciation (continued)

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

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

Surpluses on Investment property revaluations are transferred from the Revenue reserve to the Revaluation reserve.

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

Investments

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

Funeral 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

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

Creditors

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

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

Dividend and dividend bonus

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

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

Provisions

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

Reserves

The Revenue reserve represents cumulative surpluses or deficits 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 is recognised in full. The movement in this scheme surplus 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.

Year Ended 7th September 2024

	Note	2024 (53 weeks) £'000	2023 (52 weeks) £'000
Turnover	1	375,559	353,942
Less: cost of sales		(254,685)	(240,152)
Gross profit	1	120,874	113,790
Less: expenses – ordinary trading	2	(108,775)	(99,552)
		12,099	14,238
Less: expenses – member benefits and grants	6	(1,264)	(2,137)
Trading surplus	1	10,835	12,101
Surplus on sale of fixed assets		1,763	752
Surplus/(deficit) on revaluation of property		4,257	(20,526)
Operating surplus/(deficit)		16,855	(7,673)
Group share of surplus in joint ventures	11	242	127
Net finance income	5	2,625	1,707
Losses on changes to pension	19	-	(852)
Exceptional items	3	(1,002)	-
Surplus/(deficit) for the year before payments to and on behalf of members		18,720	(6,691)
Less: payments to and on behalf of members	6	(3,805)	(3,780)
Surplus/(deficit) for the year before taxation		14,915	(10,471)
Taxation	7	(1,923)	(1,768)
Surplus/(deficit) for the year		12,992	(12,239)
Attributable to:			
Non-controlling interests		115	(134)
Transferred to reserves		12,877	(12,105)
		12,992	(12,239)

The accounting policies on pages 47 to 50 and the notes on pages 56 to 67 form part of these accounts.

Year Ended 7th September 2024

	Note	2024 (53 weeks) £'000	2023 (52 weeks) £'000
Retained surplus/(deficit) for the year		12,992	(12,239)
Unrealised surplus/(deficit) on revaluation of trading properties		2,379	(1,135)
Share interest		(8)	(8)
Current tax on share interest		1	1
Actuarial loss on pension scheme		(1,820)	(10,722)
Deferred tax on actuarial loss - scheme valuation movement		362	3,431
Deferred tax on actuarial loss - change in tax rate		2,303	-
Total comprehensive surplus/(deficit) for the year		16,209	(20,672)
Attributable to:			
Non-controlling interests	16	115	(134)
Transferred to reserves		16,094	(20,538)
		16,209	(20,672)

The accounting policies on pages 47 to 50 and the notes on pages 56 to 67 form part of these accounts.

As at 7th September 2024

	Note	2024 £'000	2023 £'000
Fixed assets			
Intangible assets	8	6,489	7,766
Tangible assets	9	113,290	104,317
Investment properties	10	141,577	138,602
Investments	11	290	290
Share of joint venture	11	398	156
		<u>262,044</u>	<u>251,131</u>
Current assets			
Stocks – goods for resale		14,660	14,836
Debtors			
- amounts falling due within one year	12	35,777	31,404
- amounts falling due after more than one year	12	422	664
Cash at bank and in hand		32,392	29,915
		<u>83,251</u>	<u>76,819</u>
Creditors: amounts due within one year			
Creditors	13	49,187	44,670
Dividend	13	4,535	4,664
		<u>53,722</u>	<u>49,334</u>
Net current assets		<u>29,529</u>	<u>27,485</u>
Total assets less current liabilities		<u>291,573</u>	<u>278,616</u>
Creditors: amounts falling due after more than one year			
	13	(1,320)	(1,383)
Provision for liabilities	14	<u>(7,904)</u>	<u>(9,698)</u>
Net assets excluding pension surplus		<u>282,349</u>	<u>267,535</u>
Pension surplus	19	23,032	22,099
Net assets		<u>305,381</u>	<u>289,634</u>
Financed by:			
Share capital	15	3,880	4,342
Revaluation reserve		52,453	47,839
Revenue reserve		249,960	238,480
Members' funds		<u>306,293</u>	<u>290,661</u>
Non-controlling interests	16	(912)	(1,027)
Total funds employed		<u>305,381</u>	<u>289,634</u>

The accounting policies on pages 47 to 50 and the notes on pages 56 to 67 form part of these accounts.

Year Ended 7th September 2024

	Note	2024 (53 weeks) £'000	2023 (52 weeks) £'000
Net cash flow from operating activities	17	12,275	11,104
Cash flow from investing activities			
Sale of tangible fixed assets		2,474	16,294
Sale of intangible fixed assets		2,533	-
Interest received		1,453	418
Interest paid		(80)	(54)
Purchase of tangible fixed assets		(15,116)	(24,125)
Purchase of intangible fixed assets		(600)	(1,117)
		(9,336)	(8,584)
Cash flow from financing activities			
Issue of shares	15	217	410
Redemption of shares	15	(679)	(635)
		(462)	(225)
Net increase in cash		2,477	2,295
Cash at start of year		29,915	27,620
Cash at end of year		32,392	29,915

The accounting policies on pages 47 to 50 and the notes on pages 56 to 67 form part of these accounts.

	Share Capital	Revaluation Reserve	Revenue Reserve	Members' Funds	Non- controlling Interests	Total Funds
	£'000	£'000	£'000	£'000	£'000	£'000
At September 2022	4,567	54,686	252,171	311,424	(893)	310,531
Deficit	-	-	(12,105)	(12,105)	(134)	(12,239)
Other comprehensive losses	-	(1,135)	(7,298)	(8,433)	-	(8,433)
Transfer on disposal of properties	-	(3,412)	3,412	-	-	-
Transfer between reserves	-	(2,300)	2,300	-	-	-
Total comprehensive losses	-	(6,847)	(13,691)	(20,538)	(134)	(20,672)
Share capital contributions	402	-	-	402	-	402
Share capital withdrawals	(635)	-	-	(635)	-	(635)
Share interest	8	-	-	8	-	8
Transactions with members	(225)	-	-	(225)	-	(225)
At September 2023	4,342	47,839	238,480	290,661	(1,027)	289,634
Surplus	-	-	12,877	12,877	115	12,992
Other comprehensive gains	-	2,379	838	3,217	-	3,217
Transfer on disposal of properties	-	59	(59)	-	-	-
Transfer between reserves	-	2,176	(2,176)	-	-	-
Total comprehensive gains	-	4,614	11,480	16,094	115	16,209
Share capital contributions	209	-	-	209	-	209
Share capital withdrawals	(679)	-	-	(679)	-	(679)
Share interest	8	-	-	8	-	8
Transactions with members	(462)	-	-	(462)	-	(462)
At September 2024	3,880	52,453	249,960	306,293	(912)	305,381

1. Segmental analysis

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

	2024 (53 weeks) £'000	2023 (52 weeks) £'000
Turnover		
Retail	362,329	341,006
Investment property	13,230	12,936
Total	<u>375,559</u>	<u>353,942</u>
Gross profit		
Retail	107,644	100,854
Investment property	13,230	12,936
	<u>120,874</u>	<u>113,790</u>
Common costs	<u>(110,039)</u>	<u>(101,689)</u>
Trading surplus	<u>10,835</u>	<u>12,101</u>

2. Expenses – ordinary trading

	2024 (53 Weeks) £'000	2023 (52 Weeks) £'000
Personnel costs	65,947	60,236
Property rents	617	603
Other occupancy costs	15,628	14,513
Hire of plant – operating leases	48	20
Depreciation	7,820	7,318
Amortisation of intangible fixed assets	916	1,082
Auditors' remuneration:		
- Audit of these financial statements - current year	113	108
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	90	85
- Other services	5	2
Directors' fees – director duties	119	102
Directors' fees – other duties	30	89
Other expenses	17,442	15,394
Total expenses – ordinary trading	<u>108,775</u>	<u>99,552</u>

3. Exceptional items

	2024 (53 Weeks) £'000	2023 (52 Weeks) £'000
	<u>1,002</u>	<u>-</u>

During the year exceptional costs were incurred of £1,002,000 in relation to restructuring costs and one-off project spend.

4. Employees

The average number employed by the Group in the year ended 7th September 2024.

	2024 Number	2023 Number
Part-Time	1,735	1,760
Full-Time	1,191	1,178
	<u>2,926</u>	<u>2,938</u>

The costs incurred in respect of these employees were:

	2024 (53 weeks) £'000	2023 (52 weeks) £'000
Wages and salaries	58,788	53,884
Social security costs	4,264	3,773
Other pension costs	2,895	2,579
Total personnel costs	<u>65,947</u>	<u>60,236</u>

Executive leadership emoluments

The emoluments of the executive leadership team paid during the year including salary, performance related pay, bonus, pension contributions and taxable benefits can be found in the remuneration report on pages 32 to 37 of these financial statements.

5. Net finance income

	2024 (53 weeks) £'000	2023 (52 weeks) £'000
a) Interest receivable		
Interest from joint venture	333	-
Unlisted investments	12	12
Expected return on pension scheme assets	6,710	6,482
Bank and other interest	1,108	407
	<u>8,163</u>	<u>6,901</u>
b) Interest payable		
Bank loans	27	-
Interest cost on pension scheme obligations	5,457	5,140
Loan from non-controlling interest	54	54
	<u>5,538</u>	<u>5,194</u>
Net finance income	<u>2,625</u>	<u>1,707</u>

6. Membership expenses and payments

a) Expenses – member benefits and grants

	2024 (53 weeks) £'000	2023 (52 weeks) £'000
Donations to charity and community groups	372	570
Forfeits on shares	(232)	(21)
Member and community activities	1,124	1,588
Total	<u>1,264</u>	<u>2,137</u>

6. b) Payments to and on behalf of members

	2024 (53 weeks) £'000	2023 (52 weeks) £'000
Dividend	2,302	2,106
Further dividend paid in year	1,464	1,624
	<u>3,766</u>	<u>3,730</u>
Funeral benefit	39	50
Total	<u>3,805</u>	<u>3,780</u>

Dividend of £2,302,000 (2023: £2,106,000) 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 £960,000 (2023: £1,474,000) was made after the balance sheet date making a total of £3,262,000 (2023: £3,580,000). This equated to a dividend bonus of 50p (2023: 70p) 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

	2024 (53 weeks) £'000	2023 (52 weeks) £'000
a) Analysis of tax charge in year		
Current tax		
UK corporation tax at 25% (2023: 25%) on surplus/(deficit) for the year	975	442
Overprovision in prior years	(165)	(565)
Current tax charge/(credit) for the year	<u>810</u>	<u>(123)</u>
Deferred tax		
Taxation on pension adjustments	688	802
Excess of capital allowances over depreciation	1,089	1,322
Other timing differences	(664)	(233)
Deferred charges for the year	<u>1,113</u>	<u>1,891</u>
Taxation provided in the Group Revenue Account	<u>1,923</u>	<u>1,768</u>
Other comprehensive income items		
Tax on share interest	(1)	(1)
Deferred tax on pension scheme – movement in surplus	(362)	(3,431)
Deferred tax on pension scheme – change in tax rate	(2,303)	-
	<u>(2,666)</u>	<u>(3,432)</u>
b) Factors affecting tax charge for the year		
	2024 (53 weeks) £'000	2023 (52 weeks) £'000
Surplus/(deficit) before taxation	<u>14,915</u>	<u>(10,471)</u>
Surplus/(deficit) multiplied by standard rate of corporation tax in the UK of 25% (2023: 25%)	3,729	(2,618)
Effects of:		
Revaluation of property	(1,065)	5,131
Other permanent differences between items affecting tax and accounting surplus/(deficit)	(1,689)	(2,009)
Deferred tax and change in tax rate	1,113	1,829
Overprovision in prior years	(165)	(565)
Taxation provided in the Group Revenue Account	<u>1,923</u>	<u>1,768</u>

7. Taxation (continued)

The standard rate of corporation tax in the UK is 25%. The deferred tax balances at 7th September 2024 have been calculated at this rate, reflecting the expected timing of the reversal of the related timing differences.

8. Intangible fixed assets

	Goodwill £'000	Licences £'000	Total £'000
Cost			
At September 2023	8,463	19,903	28,366
Additions	-	600	600
Disposals	(291)	(3,300)	(3,591)
At September 2024	8,172	17,203	25,375
Amortisation			
At September 2023	6,427	14,173	20,600
Charged in the year	174	742	916
Disposals	(291)	(2,339)	(2,630)
At September 2024	6,310	12,576	18,886
Net book value			
At September 2024	1,862	4,627	6,489
At September 2023	2,036	5,730	7,766

9. Tangible fixed assets – trading

	Land & Buildings £'000	Fixtures Fittings & Plant £'000	Transport £'000	Total £'000
Fair value/original cost				
At September 2023	84,005	67,937	7,452	159,394
Transfers	2,066	-	-	2,066
Additions	2,895	6,829	988	10,712
Disposals	(1,025)	(1,856)	(1,256)	(4,137)
Revaluation	4,234	-	-	4,234
At September 2024	92,175	72,910	7,184	172,269
Depreciation				
At September 2023	-	50,533	4,544	55,077
Charged in the year	1,078	5,675	1,014	7,767
Disposals	-	(1,688)	(1,099)	(2,787)
Revaluation	(1,078)	-	-	(1,078)
At September 2024	-	54,520	4,459	58,979
Net book value				
At September 2024	92,175	18,390	2,725	113,290
At September 2023	84,005	17,404	2,908	104,317

The value of land and buildings includes £1,640,000 (2023: £1,645,000) of leaseholds, the remainder being freehold.

The value of buildings depreciated was £56,270,000 (2023: £49,060,000). A valuation of trading properties was carried out by Eddisons Incorporating Banks Long & Co., Chartered Surveyors, of 26 Westgate, Lincoln as at 7th September 2024 which valued all of the Group's trading land and buildings at current fair value in accordance with the RICS Red Book valuation standards at £92,175,000 (2023: £84,005,000). This valuation has been incorporated within the Group Balance Sheet.

10. Fixed assets – investment properties

	Land & Buildings		Landlords	Total £'000
	Freehold £'000	Leasehold £'000	Fixtures £'000	
Fair value/original cost				
At September 2023	137,084	1,370	939	139,393
Transfers	(2,066)	-	-	(2,066)
Additions	4,580	10	49	4,639
Disposals	(882)	-	(181)	(1,063)
Revaluation	1,263	60	-	1,323
At September 2024	139,979	1,440	807	142,226
Depreciation				
At September 2023	-	-	791	791
Charged in the year	-	-	63	63
Disposals	-	-	(205)	(205)
At September 2024	-	-	649	649
Net book value				
At September 2024	139,979	1,440	158	141,577
At September 2023	137,084	1,370	148	138,602

A valuation of investment properties was carried out by Eddisons Incorporating Banks Long & Co., Chartered Surveyors, 26 Westgate, Lincoln as at 7th September 2024. The valuation was carried out in accordance with the RICS Red Book valuation standards on a fair value basis. The total historic cost of land and buildings included in notes 9 and 10 is £181,141,000 (2023: £174,620,000).

11. a) Investments

	Fixed Assets	
	2024 £'000	2023 £'000
Other investments	290	290
Total investments	290	290
Cost or valuation		
At September 2023	290	290
At September 2024	290	290

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

c) Interest in joint ventures

	2024 £'000	2023 £'000
Balance brought forward	156	29
Share of trading profit	325	166
Share of tax on trading profit	(83)	(39)
Total balance sheet value	<u>398</u>	<u>156</u>

(i) LC Community Projects Ltd. is a property development company and a joint venture of Lincolnshire Co-operative Limited and Lindum Group Limited. At the year end £327,000 (2023: £327,000) was owed to Lincolnshire Co-operative Limited and £nil (2023: £nil) was owed to Lindum Group Limited, both as interest free loans.

(ii) Lincoln Waterside Centre Ltd. is a property investment company and a joint venture of Lincolnshire Co-operative Limited and Wykeland Lincoln Holdings Limited. At the year end £5,585,000 (2023: £4,609,000) was owed to Lincolnshire Co-operative Limited and £5,585,000 (2023: £4,609,000) was owed to Wykeland Lincoln Holdings Limited. Interest of 5% is being charged on the loans.

12. Debtors

	Falling due within one year		Falling due after one year	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Trade debtors	21,151	19,276	-	-
VAT	265	452	-	-
Deferred tax (note 14)	-	-	422	664
Other debtors and prepayments	8,038	5,889	-	-
Owed by joint ventures	5,912	4,936	-	-
Corporation tax	411	851	-	-
Total debtors	<u>35,777</u>	<u>31,404</u>	<u>422</u>	<u>664</u>

13. a) Creditors

	Falling due within one year		Falling due after one year	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Trade creditors	31,481	30,366	-	-
Accrued charges and deferred income	16,606	13,154	254	317
Other taxation and social security	1,058	1,108	-	-
Member benefits and grants	42	42	-	-
Owed to non-controlling interests	-	-	1,066	1,066
	49,187	44,670	1,320	1,383

b) Dividend

	Falling due within one year		Falling due after one year	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Dividend	4,535	4,664	-	-
	4,535	4,664	-	-
Total Creditors	53,722	49,334	1,320	1,383

Included within creditors is an amount of £96,000 (2023: £54,000) 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 £90,000,000 has been approved and is available, should it be required, no amounts are drawn down at 7th September 2024.

14. Deferred tax

	Assets	Liabilities	Assets	Liabilities
	2024 £'000	2024 £'000	2023 £'000	2023 £'000
An analysis of the amounts provided is set out below:				
Pension scheme surplus	-	5,758	-	7,735
Accelerated capital allowances	(261)	2,103	(302)	1,055
Other timing differences	(161)	43	(362)	908
Deferred tax (assets)/liabilities	(422)	7,904	(664)	9,698

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

15. Share capital

	2024 £'000	2023 £'000
At September 2023	4,342	4,567
Contributions	209	402
Interest	8	8
	<u>4,559</u>	<u>4,977</u>
Withdrawals	(679)	(635)
At September 2024	<u>3,880</u>	<u>4,342</u>

i) The whole of the share capital comprises £3,879,621 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.

	2024 £'000	2023 £'000
At September 2023	(1,027)	(893)
Share of profit/(loss)	115	(134)
At September 2024	<u>(912)</u>	<u>(1,027)</u>

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

	2024 (53 Weeks) £'000	2023 (52 Weeks) £'000
Operating surplus/(deficit)	16,855	(7,673)
(Surplus)/deficit on revaluations of property	(4,257)	20,526
Additional pension contribution	(1,500)	(2,719)
Depreciation charges	7,820	7,318
Surplus on sale of fixed assets	(1,763)	(752)
Exceptional items	(1,002)	-
Amortisation of goodwill	916	1,082
Decrease/(increase) in stocks	178	(1,911)
Increase in debtors	(4,828)	(8,506)
Increase in creditors	4,160	8,190
Payments to and on behalf of members	(3,934)	(3,895)
Tax paid	(370)	(556)
Cash inflow from operating activities	<u>12,275</u>	<u>11,104</u>

18. Analysis of movements in net funds

	2024 £'000	Cashflow £'000	2023 £'000
Cash at bank and in hand	32,392	2,477	29,915
Net funds	32,392	2,477	29,915

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 2021 and was updated to 7th September 2024 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

	2024 £'000	2023 £'000
Present value of funded obligations	(108,183)	(102,028)
Fair value of plan assets	131,215	124,127
Surplus	23,032	22,099

Amounts recognised in the Group Revenue Account

	2024 (53 weeks) £'000	2023 (52 weeks) £'000
Losses on changes	-	852
Interest on obligation	5,457	5,140
Expected return on plan assets	(6,710)	(6,482)
Net credit	(1,253)	(490)

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

	2024 (53 weeks) £'000	2023 (52 weeks) £'000
Losses on changes	-	852
Net finance income	(1,253)	(1,342)
Net credit	(1,253)	(490)

Amounts recognised in the Group Statement of Comprehensive Income

	2024 £'000	2023 £'000
Cumulative amount at beginning of year	25,746	15,024
Recognised during the year	1,820	10,722
Cumulative amount at end of year	27,566	25,746

19. Defined benefit pension scheme (continued)

Changes in the present value of scheme obligations	2024 £'000	2023 £'000
Opening obligation	102,028	115,795
Losses on changes	-	852
Interest cost	5,457	5,140
Actuarial losses/(gains)	6,006	(14,706)
Benefits paid	(5,308)	(5,053)
Closing obligation	108,183	102,028
Changes in the fair value of plan assets	2024 £'000	2023 £'000
Opening fair value of scheme assets	124,127	145,407
Expected return	6,710	6,482
Actuarial gains/(losses)	4,186	(25,428)
Contributions by employer	1,500	2,719
Benefits paid	(5,308)	(5,053)
Closing fair value of scheme assets	131,215	124,127
Actual return on scheme assets	10,896	(18,946)
Assets in the plan as a percentage of total plan assets	2024	2023
Bonds	100%	61%
Equities	0%	39%

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	2024	2023
Discount rate	4.9%	5.4%
Rate of increase in salaries	n/a	n/a
Rate of increase in payment of pre 1997 pensions	2.5% *	2.5% *
Rate of increase in payment of post 1997 pensions	2.8%	3.0%
Rate of revaluation of deferred pensions	3.0%	3.2%
Inflation assumption - RPI	3.0%	3.2%
Inflation assumption - CPI	2.6%	2.8%

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

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

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. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

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

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 £2,937,000 (2023: £2,578,000) were paid by the Group.

21. Capital commitments

Outstanding contracts for capital expenditure not provided for in the accounts amounted to £5,186,000 (2023: £7,339,000) and capital expenditure and acquisitions authorised by the Directors for which no contracts have been placed totalled £7,045,000 (2023: £20,525,000).

22. Commitments under operating leases

At 7th September 2024 the Group had commitments payable under non-cancellable operating leases on land and buildings as follows:

	2024 £'000	2023 £'000
Within one year	546	473
In two to five years	1,586	1,312
Over five years	2,369	2,444
Total commitments	4,501	4,229

These leases are subject to rent reviews.

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

	2024 £'000	2023 £'000
Within one year	9,100	9,903
In two to five years	17,555	19,126
Over five years	11,032	12,411
Total commitments	37,687	41,440

23. Financial instruments

The Group's financial instruments are as follows:

	2024 £'000	2023 £'000
Financial assets		
Measured at amortised cost	<u>59,455</u>	<u>54,127</u>
Financial liabilities		
Measured at amortised cost	<u>32,547</u>	<u>31,432</u>

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

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

On 15th August 2024 the Group secured access to a Revolving Credit Facility ('RCF') up to an amount of £90,000,000. The facility is committed through to 15th August 2028 with an option to extend by a further year.

As at 7th September 2024 no amounts had been drawn down from the facility.

The loan facility contains financial covenants which are tested on a quarterly basis. The Group did not breach any covenants in the period.

	2020	2021	2022	2023	2024
	52 Weeks	52 Weeks	52 Weeks	52 Weeks	53 Weeks
Membership	289,298	296,264	296,077	292,108	288,984
Revenue Account	£'000	£'000	£'000	£'000	£'000
Turnover	309,250	323,494	339,797	353,942	375,559
Gross profit	99,241	103,667	107,040	113,790	120,874
<i>Gross profit %</i>	32%	32%	32%	32%	32%
Members' benefits and grants	1,117	1,150	1,506	2,137	1,264
Trading surplus	15,510	18,225	16,562	12,101	10,835
<i>Trading surplus %</i>	5%	6%	5%	3%	3%
Revaluation of property movement through revenue profit/(loss)	(35,602)	(1,038)	(628)	(20,526)	4,257
Dividend paid in the year	3,813	3,527	3,585	3,780	3,805
<i>Dividend paid in the year as % of trading surplus</i>	25%	19%	22%	31%	35%
Transfer to reserve	(38,642)	10,506	11,767	(12,239)	12,992
Balance Sheet	£'000	£'000	£'000	£'000	£'000
Total property	241,519	247,030	246,494	222,459	233,594
Total tangible assets	259,187	263,206	263,710	242,919	254,867
Net current assets	17,476	28,942	22,062	27,485	29,529
Pension (liability)/surplus	(44,681)	(17,697)	29,612	22,099	23,032
Net assets	237,664	269,254	310,531	289,634	305,381
Capital Expenditure/ Receipts	£'000	£'000	£'000	£'000	£'000
Total fixed assets cashflow (capital spend)	(22,317)	(16,888)	(20,954)	(25,242)	(15,716)
Total fixed assets cashflow capital receipts	5,273	3,353	18,371	16,294	5,007

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

