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1861-2011

Directors' Report and Financial Statements

For the year to 3rd September 2011



▶ **BOARD OF DIRECTORS 2011**



Back left to right: Margaret Tranter, Amy Morley, Stuart Parker, Sue Neal, Julia Romney, David Maltby, John Levine, Barbara Hutchinson, Malcolm Hoskins, Carol Bratton **front:** Ursula Lidbetter - Chief Executive, Stephen Hughes - President, Jane Powell - Group Secretary.

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DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

BOARD OF DIRECTORS

	Stephen Hughes Bpharm,	President
*	Sue Neal	Vice President
•*+	Stuart Parker BSc (Eng)	Chair of Pension Scheme Trustees and Remuneration Committee
•*+	Margaret Tranter Julia Romney	
•*+	John Levine FCA	Chair of Audit Committee
*	Carol Bratton MIBC	
•	Malcolm Hoskins Barbara Hutchinson Amy Morley	
•	David Maltby	
•	<i>Audit Committee</i>	
+	<i>Board Nominated Trustee of the Pension Scheme</i>	
*	<i>Remuneration Committee</i>	

AUDITORS

KPMG LLP,
St James' Square, Manchester M2 6DS

BANKERS

Co-operative Bank Plc,
16 Saltergate, Lincoln LN2 1DG

SOLICITORS

Andrew & Co,
St Swithin's Court, 1 Flavian Road,
Nettleham Road, Lincoln LN2 4GR

REGISTERED OFFICE

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

SENIOR MANAGEMENT TEAM

+Ursula Lidbetter BSc Hons, FCIS, DL	Chief Executive Officer
Jane Powell LLB Hons, MBA	Group Secretary
David Dernley Dip.F.D. MBIE, MBIFD	Head of Funeral Services
Laura Dunne BA Hons	Head of Marketing
Alastair Farquhar BSc, MR Pharm S	Head of Pharmacy
Stephen Galjaard BA Hons, ACA	Chief Financial Officer
Heather Lee BA Hons, MCIPD, MBA	Head of People and Performance
Jim Thomson BA Hons	Chief Retail Officer
Andrew Turner	Head of Information Systems
Ray Yeardley	Head of Retail Operations

DIRECTORS' REPORT FOR THE YEAR ENDED 3 SEPTEMBER 2011

This year we celebrated the Society's 150th anniversary. We were formed in Lincoln in 1861 by a group of local people led by the joiner Thomas Parker from Gainsborough. We have marked our birthday in numerous ways, including the publication of a history book and restoration of a vintage bus. Local brewer Batemans made us a Big Birthday beer and we put on a Big Birthday Bash. To mark the birthday itself on 19th August, we gave out 150 community grants totalling £500,000. As a lasting commemoration of our birthday we purchased 10.7 acres of land near Dunholme to plant woodland for future generations.

TRADING REVIEW

The Society's trading activities include food stores, pharmacies, home stores, filling stations, post offices, travel agents, coffee shops, funeral services, a florist, bakery, Jaguar car dealership, a pharmaceutical wholesaler and a portfolio of commercial and residential properties.

Total sales for the year increased by 2.6% to £285.2 million.

The first part of the year was dominated by the extreme winter weather, making trading conditions difficult. Our staff worked hard to ensure that our services were maintained. For the year as a whole, economic conditions were also very tough but support by customers for our key services remained strong. Food sales increased by 4.4%, funerals conducted by 3.8% and community pharmacy income by 7.9%, assisted by new branches.

In filling stations, fuel volume declined due to rising oil costs pushing up the retail price of petrol. In the home division conditions were also difficult. We are starting to feel the consequences of falls in discretionary spending and sales in Travel, Holland Brothers Jaguar and Post Offices decreased slightly.

Group trading surplus, before member benefits and grants including the 150th celebrations, increased slightly to £21.6 million. The dividend bonus of 2010 and the dividend points given out in 2011, together totalled £4.5 million, leaving a surplus transferred to reserves of £10.5 million. Total reserves now stand at £257 million.

We were delighted to sign up our 200,000th member, one of 20,105 new members who joined the Society during the year. At the year-end membership stood at 205,130.

The board is recommending that £3,000,000 is allocated to dividend, from which dividend points of £2,406,000 have already been paid during the year and that a dividend bonus is awarded equal to 75p for every £1 of dividend points distributed in the year. In addition, in recognition of the Society's 150th anniversary it is recommended that a further £600,000 is allocated to dividend and for the award of a further bonus of 25p for every £1 of dividend points distributed in the year.

DEVELOPMENTS

This year we've continued unabated with a comprehensive capital programme. Our total capital expenditure for the year was £23.1 million. Many food stores, pharmacies and funeral outlets have been extended or refurbished. We are also developing several new stores for next year. We acquired properties in Burgh Le Marsh and Scotter near Gainsborough for foodstore developments, and have been on site at Skirbeck Road Boston and in Scotter with those stores opening in Autumn 2011. We have also secured the Post Office in Scotter which will operate from our new store there.

During the year we've opened four new foodstores; at Lincoln Road, Newark; Keddington Road, Louth; Witham St Hughs (where we've incorporated a new pharmacy) and in Caistor, where we've moved our old business into purpose built premises. We've also taken over Sandbach's pharmacy in Branston and relocated our funeral home in Mablethorpe to a newly refurbished property. We've opened a new travel branch in Horncastle and moved our travel agents in Spalding from the Winsover Centre to a much more prominent location in Hall Place in the centre of the town. We also managed to save Spalding Post Office from closure, by relocating it to a nearby unit and have transferred Kirkgate Post Office in Newark to new management.

We have completed two major developments in Lincoln, a comprehensive extension and upgrade of our Birchwood Shopping Centre and the refurbishment of the Maltings office block on Brayford Wharf East. We're now on site extending the doctors' surgery on Tawney Street in Boston. We've also built and let a new unit at the Carlton Centre in Lincoln to Argos. We purchased the freehold property needed to progress the Lindongate scheme for Lincoln City Centre and we are now waiting for outline planning consent in order to take the project forward.

We sold a property on Doddington Road Lincoln to our tenant Dynex, and the freehold of the Booker distribution centre on Sadler Road in Lincoln.

The value of our current asset investments and cash at the year-end was £25.6 million, up from £20.2 million last year. This is invested principally in Co-operative Group Ltd investor shares and the Co-operative Bank plc.

Commercial property values are showing signs of stabilising. This year our annual revaluation showed a deficit of only £0.1 million. Taking account of acquisitions and disposals the value of our land and buildings increased slightly to £246.5 million.

EMPLOYEES AND PENSIONERS

The following staff have received awards for 25 years' service this year:-

Susan Baker	Supervisor, Branston Foodstore
Philip Goddard	Manager, City Square Foodstore, Lincoln.
Peter Thacker	Foreman, Butchery Warehouse, Lincoln
Phyllis Oxby	Customer Services Assistant, Ruskington Foodstore
Lyndis Thomas	Customer Services Assistant, Branston Foodstore
Ian Moon	Warehouse assistant, Lincoln Food Distribution Centre
Susan Curtis	Supervisor, Ruskington Foodstore
Susan Smith	Duty Manager, Victoria Street Foodstore, Newark
Edwina Golding	Clerk, Food Distribution Centre, Lincoln
Pauline McMahon	Supervisor, Collingham Foodstore
Sandra Coughill	Manager, Victoria Street Foodstore, Newark
Julian Roe	Administration Manager, Stanley Bett House, Lincoln
Stella Wilson	Consultant, The Co-operative Travel, Tritton Road, Lincoln
Linda Tucker	Dispensing Technician, Crossroads Pharmacy, Lincoln

In addition Linda Petch Supervisor from the Members' Help Desk in Gainsborough also received an award for 40 years service.

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

Carol Otter	Wages department, Stanley Bett House, Lincoln	Age 60 years
Margaret Brader	Dairy	Age 72 years
Christopher Willey	Garage Service Manager	Age 75 years
William Booth	Wrights Rover Dealership in Spalding	Age 82 years
Jacqueline Lupton	Billinghay Foodstore	Age 63 years
Betty Jackson	Retail Sales	Age 82 years

ACKNOWLEDGEMENT

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

For and on behalf of the Board,

Stephen Hughes	President
Sue Neal	Vice President
Ursula Lidbetter	Chief Executive Officer
Jane Powell	Group Secretary

CO-OPERATIVE ENVIRONMENTAL & SOCIAL PERFORMANCE INDICATORS

As a co-operative the Society seeks to operate its business in accordance with co-operative values and principles. To assist in the monitoring of our performance we utilise the ten indicators which have been produced by Co-operatives^{UK} for this purpose.

	Description	Measure	Performance in 2010/11
1.	Member economic involvement	Trade conducted with members as a proportion of turnover	Data from the use of the dividend card and pro rata estimates for divisions where the dividend card is not used indicate that trade conducted with members represents 54.3% of total sales. This figure is a small increase on last year's figure of 53.9%
2.	Member democratic participation	Number of members voting in elections and as a percentage of total membership	An election was held for 3 places on the board with 3 candidates standing. The ballot produced 5,918 votes equating to 2.88% of members. Last year 6,666 members voted amounting to 3.56% of members.
3.	Participation of employees and members in training and education	Hours of training undertaken	On average 17.2 hours were spent per employee on training and we delivered over 374 hours training to members. Last year 17.06 hours training were given to employees and 433 hours to members.
4.	Staff injury and absentee rates	Total number of accidents and reportable accidents. Staff absentee rates	The total number of incidents involving staff and reported during the year was 286. The number reported to the health and safety executive was 31. The average number of absence days was 6.74. Last year 285 incidents were reported internally with 27 reported to the health and safety executive. The average number of absence days was 6.4.
5.	Staff profile – gender and ethnicity	Gender split and % employees from different ethnic groups	73% of our employees are female and 27% are male. We also monitor the diversity of our staff and currently about 0.36% have an ethnic minority background. The proportion of male and female staff was equivalent to last year (72.6% F and 27.4% M). The percentage of ethnic minority staff was at 0.4%.
6.	Customer satisfaction	% of customers being satisfied with service	The Society has asked how satisfied customers of our funeral division were with the way in which the funeral service was conducted and over 99% responded saying they were either satisfied or very satisfied. Last year we reported that 98% of customers were satisfied with the friendliness of service in our Home Stores and Travel Agencies
7.	Consideration of ethical issues and procurement and investment decisions	Evidence of ethical issues in decision making	As we reported last year the majority of our procurement is done through the membership of the Co-operative Retail Trading Group. We have supported the ethical buying policies of CRTG, which has stated that it's committed to principles of sound sourcing and to addressing worker conditions in the supply chain.
8.	Investment in community and co-operative initiatives	Annual proportion of investment in community/co-operative initiatives as a % of pre-tax profits	Over the year we have invested £1,428,890 in community initiatives and £50,000 in co-operatives and their development. This equates to about 9.1% of our pre-tax profits. Last year we invested £695,748 in community initiatives and £50,000 in co-operatives equating to around 4.5% of pre-tax profits.
9.	Net CO2 emissions arising from operations	Net tonnes of CO2 emissions from energy used for all on-site operations (but excluding transport)	We produced 2,297 tonnes of CO2 from onsite operations this year, which is an improvement on last year's figure of 2,493 tonnes.
10.	Waste recycled	% of waste recycled/re-used as % of total waste	We are continuing to increase the amount of waste which is recycled. This year we are pleased to report that we have recycled 62.73% of waste produced, which is an increase on last year's figure of 57.88%.

As an Industrial and Provident Society Lincolnshire Co-operative Ltd is not subject to the provisions of the Combined Code. However Co-operatives^{UK} (which is the representative body for co-operatives in the UK) has issued a voluntary code for consumer co-operatives. This code is based on the principles contained in the Combined Code but is tailored to the particular governance characteristics found within co-operative societies. A copy of the code is available from the Group Secretary.

The Board has responsibility to outline how the Society has complied with the principles of the Code and to explain any instances of non-compliance. This report covers the period between September 2010 and August 2011.

SOCIETY STRUCTURE

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

The Society has a board which currently comprises eleven directors. Nine directors are elected by and from the members of the Society and two have been appointed by the elected directors. The maximum term a director can serve without standing for re-election is three years. In addition a maximum of three directors may be appointed by the elected directors.

In accordance with society Rules, Stephen Hughes was elected as President of the Society.

20 meetings of the Board were held during the year with one exceptional meeting held at short notice. The individual directors' attendance was as follows:-

Names of Directors	Type of Meeting and Number of Meetings Attended by Directors During the year			
	Board	Exceptional Board	Audit Committee	Remuneration Committee
Margaret Tranter	20(20)	1(1)	3(3)	1(1)
Julia Romney	20(20)	1(1)		
* David Maltby	8 (10)	1(1)		
Stuart Parker	20(20)	0(1)	3(3)	1(1)
Susan Neal	19 (20)	0(1)		1(1)
John Levine	20(20)	0(1)	3(3)	1(1)
Carol Bratton	17(20)	0(1)	2(2)	1(1)
Stephen Hughes	19(20)	0(1)		
Malcolm Hoskins	19(20)	1(1)	3(3)	
Barbara Hutchinson	17(20)	0(1)		
Amy Morley	20(20)	0(1)		

() possible attendance

* became a director during the year

Some directors hold positions on group or connected companies. In addition Malcolm Hoskins is a director of Fenland Green Power Co-operative Limited and Margaret Tranter sits on the board of the Co-operative Press Ltd.

A programme of continuing development and training is in place for the board. A skills audit and performance evaluation of the whole board, conducted by the independent organisation EFP Ltd, was completed during the year. This is part of an ongoing process to ensure the board operates effectively. In addition the assessment is used to identify any significant skills gaps and areas where the functioning of the board can be improved. The results of this audit were used to aid the recruitment process for independent directors to the board. As a result David Maltby was appointed as a director during the year. In addition each director's personal development plan was reviewed.

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

BOARD ELECTIONS

In May 2011, elections for 3 positions on the board took place. The successful candidates and terms of office gained are as set out below. 5,918 votes were cast with 28 spoilt papers.

Sue Neal	-	3 years
Stephen Hughes	-	3 years
Malcolm Hoskins	-	3 years

THE BOARD

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

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

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

The Board has delegated the management of the Society's activities to the Chief Executive and her Management Team.

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

No director over the age of 68 may continue to serve in office and will stand down at the half yearly meeting after his 68th birthday. The Board is able to appoint up to 3 directors. This year John Levine (who was first appointed to the board in 2007) was re-appointed until May 2012. David Maltby was also appointed as a director until May 2012. These appointments are subject to ratification by the members as required by the rules.

BOARD BALANCE AND INDEPENDENCE

All directors are non-executive and hold the following occupations:-

Stephen Hughes	Pharmacist
Susan Neal	Medical Records Admin Data Clerk & Phlebotomist
Julia Romney	Security
Stuart Parker	Engineer
Margaret Tranter	Retired Accounts Supervisor
Carol Bratton	Business Adviser
John Levine	Retired Chartered Accountant
Malcolm Hoskins	Retired Health and Safety Manager
Barbara Hutchinson	Reverend
Amy Morley	Senior Account Manager
David Maltby	

Ursula Lidbetter is a Director and Deputy Chair of the Co-operative Group Ltd, Chair of the Co-operative Food Limited and a Director of CRS Properties Ltd.

No other member of the Management Executive holds any significant directorship.

The Secretary maintains a register of directors' interests in order 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.

THE PRESIDENT

The President of the Society is elected by the Board at their first meeting each year following the half yearly meeting of members. The President acts as Chair at all Board meetings. The current President is an employee of the Society, but as he has only been appointed for a year and a new election for President takes place each year, this is deemed sufficient to ensure he acts independently of management.

AUDIT COMMITTEE

The Audit Committee of the Board currently comprises three elected directors (who are not employees of the Society) and two appointed directors. The chair of the committee is John Levine who is a retired chartered accountant. The committee is scheduled to meet at least three times a year.

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

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

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

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

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

Internal Control Framework

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

Risk Management

The Board and executive management have the primary responsibility for identifying the key business risks facing the Society and the development of appropriate policies to manage these risks. Each trading division has reviewed the key risks facing their business during the year and they have also provided their views on the key corporate risks which affect the Society.

Control Environment

The Society has clearly defined reporting lines and levels of delegated authority. Expenditure authorisation levels are set for every area of the business. Large capital projects and acquisitions require prior Board approval (in accordance with the criteria set out in the Schedule of Matters Reserved to the Board). The group is centrally controlled.

Control Activities

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

Whistleblowing

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

Monitoring

The outsourced provision of internal audit services continues to be a success. Resources are concentrated in the areas where they are most required. The use of an external service provider for this role gives flexibility and an independent view. An annual report of the activities of the internal audit service has been produced for the year 2010/11. The internal auditors' overall assurance statement is set out on page 9.

A three year programme for the audit of all key systems and controls has been agreed with the Audit Committee. Any weaknesses identified are highlighted to management and to the Audit Committee which tracks the implementation of recommendations made.

SUPPLIER PAYMENT POLICY

It is Society policy to agree the terms of payment as part of the commercial arrangement negotiated with suppliers and then pay according to those terms based upon the timely receipt of an accurate invoice. Trade creditor days for the year to 3 September 2011 were 22 days compared to 21 days last year.

COMPLIANCE STATEMENT

The Society complies with the Corporate Governance Code of Best Practice issued in May 2005 except as set out below.

A2.4 Acquisitions and Disposals

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

B3.1 Employees on the Board

Employees are eligible to serve as President of the Society and therefore as Chair of the board. However no President (or chair) may serve for more than one year at a time and this is considered to be adequate protection.

D1.1 Disclosure – The Annual Report and Financial Statements

Details of the individual remuneration packages of the Chief Executive Officer and management executive are not disclosed, but an explanation of this is contained within the Remuneration Report on page 7.

D1.2 Interim Report

A half yearly statement of trading activities is made available to members. The statement includes summary financial information which is not subject to an external audit review. A legislative reform order is currently passing through Parliament which will permit the publication of unaudited interim accounts. In light of this a separate external audit of interim financial statements is not considered a justifiable use of members' funds.

The corporate governance compliance statement set out above is hereby signed on behalf of the Board of Directors pursuant to paragraph F1.3 of the Corporate Governance Code of Best Practice issued by Co-operatives^{UK} in 2005.

Stephen Hughes President

Ursula Lidbetter Chief Executive Officer

Jane Powell Group Secretary

▶ REMUNERATION REPORT

UNDERLYING PRINCIPLES

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

DIRECTORS

The members approve the directors' fees. The research which precedes a recommendation to members is undertaken by the Group Secretary, who obtains external advice, usually from Co-operatives^{UK} and other co-operative societies. Co-operatives^{UK} also regularly circulates details of directors' fees, on an anonymous basis and this is monitored by the Group Secretary.

Directors' fees were last reviewed on 23 May 2007 when the present arrangements were agreed by members. There is also a formula for updating the fees in line with the index of average earnings. This formula was agreed by members.

The present flat rate fees are:-

President	£5,188
Vice-President	£4,292
Directors	£3,904

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

For delegations up to four hours	£9.24
For delegations over four hours	£18.48

Delegation fees are not paid in respect of attendance at an organisation which itself pays fees, if the director concerned receives such a fee. For the year ended 3 September 2011 individual directors' total gross remuneration (including expenses and delegation fees) was as follows:-

Stephen Hughes	£4,800
Susan Neal	£5,413
Julia Romney	£5,446
Stuart Parker	£3,871
Margaret Tranter	£4,942
John Levine	£5,010
Carol Bratton	£3,871
Malcolm Hoskins	£4,891
Barbara Hutchinson	£5,370
Amy Morley	£4,543
+David Maltby	£976
<i>+became a director during the year</i>	

When on business delegated by the Board directors receive mileage allowances for using their own cars, reimbursement of public transport fares and reimbursement of reasonable actual expenditure for meals and hotels.

EXECUTIVES

The remuneration package of the Chief Executive and the Group Secretary are determined by the Board on the recommendation of the Remuneration Committee. Their remuneration is not contained within this report as this is not a requirement under current financial reporting standards. Unlike most plc's and in common with most consumer co-operatives the Chief Executive and the Group Secretary at Lincolnshire Co-operative are not members of the Board and under the arrangements outlined in this report, do not therefore play any part in the consideration or determination of their own remuneration package.

The Remuneration Committee is made up of the five longest serving non-employee directors and is chaired by the longest serving. The Remuneration Committee currently comprises:-

Stuart Parker (Chair)

Sue Neal

Margaret Tranter

John Levine

Carol Bratton

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

The Remuneration Committee obtains advice from external professional advisers, principally the Co-operative Employers' Association, who themselves have access to industry data worldwide.

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

Determination of the remuneration packages of other members of the Senior Management Team is delegated to the Chief Executive who discusses her approach and her conclusions with the Remuneration Committee.

Stuart Parker
Chair

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Industrial and Provident 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.

The Group financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the surplus 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 Standard have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Industrial and Provident Society Acts 1965 to 2003. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

BOARD CERTIFICATION

The financial statements on pages 19 to 29 are hereby signed on behalf of the Board of Directors pursuant to the Friendly and Industrial and Provident Society Act 1968

Stephen Hughes President

Sue Neal Vice President

Jane Powell Group Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LINCOLNSHIRE CO-OPERATIVE LTD

We have audited the financial statements of Lincolnshire Co-operative for the year ended 3rd September 2011 which comprise the Group Revenue Account, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Society's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society's members 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 and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As is more fully explained in the Statement of Directors' Responsibilities set out on page 8 the Society's directors are responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENT

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's affairs as at 3rd September 2011 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following.

Under the Industrial and Provident Societies Acts 1965 to 2003 we are required to report to you if, in our opinion:

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

In addition to our audit of the financial statements, the directors have engaged us to review their Compliance Statement on page 7 as regards the Society's compliance with paragraphs D1.1 (paragraph 5), D2.1, D2.4, D3.1 (paragraph 3) and D3.2 of the Co-operatives^{UK} Limited's Corporate Governance Code of Best Practice issued in May 2005 ('the Code'). Under the terms of our engagement, we are required to review whether the Compliance Statement reflects the Society's compliance with the five provisions of the Code specified for our review.

Mick Davies

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants, St James' Square

Manchester M2 6DS

24th October 2011

INTERNAL AUDITORS' OVERALL ASSURANCE STATEMENT

In our opinion for the year 2010/11 Lincolnshire Co-operative Ltd. has an adequate, effective and reliable framework of internal control which provides reasonable assurance regarding the effective and efficient achievements of objectives.

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

Streets Internal Auditors

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. The net assets of the Society were £267,263,000 at 3rd September 2011, the Group had no borrowings, trading surplus remains robust and the Society has adequate resources to continue in operational existence for the foreseeable future. Hence the financial statements have been prepared on a going concern basis.

BASIS OF CONSOLIDATION

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

Wholly owned:-

Lincoln Co-operative Chemists Ltd.

LCS Retail Ltd.

Lincoln Shop Equipment Ltd.

LCS Property Ltd.

Lincoln Corn Exchange & Markets (1991) Ltd

Greetwell Developments Ltd.

Gadsby's of Southwell Ltd

52 weeks to 3rd September 2011

Holland Brothers Ltd.

F Maltby & Sons Ltd

12 months to 31st August 2011

GOODWILL

Purchased goodwill is capitalised and amortised over its estimated useful life which is deemed to be a maximum of 20 years. Goodwill purchased before 5th September 1998, and previously written off against reserves, has not been restated onto the Group Balance Sheet.

Goodwill sold is recognised in the Group Revenue Account as part of the surplus or deficit on disposal of fixed assets. The historical cost of goodwill sold is reinstated directly to the revenue reserve.

Negative goodwill is capitalised and amortised to the Group Revenue Account in the periods in which the non-monetary assets of the acquisition are recovered whether through sales or depreciation.

GROSS SALES

Gross sales includes cash sales, goods sold on credit, equipment rental income, post office income and property rental income, inclusive of value added tax.

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

TANGIBLE FIXED ASSETS AND DEPRECIATION

Trading properties are included at current market values after being subject to depreciation at the appropriate rate and to impairment charges where appropriate. An assessment is made whether deficits are temporary or permanent in nature based upon a range of factors, including market conditions, yields and neighbouring developments. Other fixed assets are stated at their acquisition cost and are depreciated over their expected useful lives to their estimated residual values by equal instalments based on the following minimum rates:

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

Investment properties are stated at current market value in accordance with SSAP 19 and are not subject to depreciation.

ASSETS LEASED TO THE GROUP

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

ASSETS LEASED TO CUSTOMERS

Assets leased to customers under operating leases are included in the Group Balance Sheet as rental assets at cost of acquisition less depreciation based on the Group's normal accounting policy. Rental income from these leases is credited to the Group Revenue Account on an accruals basis over the period of the lease.

TAXATION

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

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

STOCKS

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

REPAIRS

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

DIVIDEND POINTS AND DIVIDEND BONUS

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

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

CASH AND LIQUID RESOURCES

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

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

INVESTMENTS

Fixed asset investments 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 BONDS

Liabilities for funeral bonds are based on the total commitment at the balance sheet date (ie. redemption value).

FUNERAL BENEFITS

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

PENSION COSTS

The Society operates a pension scheme providing benefits on final pensionable pay. The assets of this scheme are held separately from those of the Society.

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

GROUP REVENUE ACCOUNT

Year Ended 3rd September 2011

	Notes	2011 (52 weeks) £'000	2010 (52 Weeks) £'000
GROSS SALES (INCLUDING VAT)		285,208	277,830
Less: Value Added Tax		(23,215)	(20,944)
TURNOVER (INCLUDING AGENCY TURNOVER)	1	261,993	256,886
Less: Agency Share of Turnover		(13,062)	(13,347)
TURNOVER		248,931	243,539
Less: Cost of Sales		(164,824)	(162,905)
GROSS PROFIT	1	84,107	80,634
Less: Expenses – Ordinary Trading	2	(62,482)	(59,042)
		21,625	21,592
Less : Expenses – Member Benefits and Grants including 150 th Celebrations	4	(2,314)	(1,176)
GROUP TRADING SURPLUS	1	19,311	20,416
Share of Trading Loss in Joint Venture	9	-	(82)
TOTAL TRADING SURPLUS		19,311	20,334
Surplus of Sale of Fixed Assets		1,337	-
SURPLUS BEFORE INTEREST		20,648	20,334
Net Interest Received	9	235	84
Other Finance (Expense)/Income	22	(103)	154
SURPLUS FOR THE YEAR BEFORE PAYMENTS TO AND ON BEHALF OF MEMBERS		20,780	20,572
Less: Payments To and On Behalf of Members	4	(4,543)	(4,001)
SURPLUS FOR THE YEAR BEFORE TAXATION		16,237	16,571
Taxation	5	(5,772)	(5,188)
SURPLUS FOR THE YEAR AFTER TAXATION		10,465	11,383
Equity Minority Interest	17	10	(58)
SURPLUS FOR THE YEAR TRANSFERRED TO RESERVES	15	10,475	11,325

All amounts in the current and prior year relate to continuing operations.
The notes on pages 16 to 28 form part of these accounts

GROUP BALANCE SHEET

Year Ended 3rd September 2011

	Notes	2011 £'000	2010 £'000
FIXED ASSETS			
Intangible Assets	6	16,854	16,452
Tangible Assets	7	77,712	74,735
Investment Properties	8	179,471	173,658
Investments	9	9,767	8,338
		283,804	273,183
CURRENT ASSETS			
Stocks		16,691	15,622
Debtors	10	8,906	10,619
Investments	9	21,711	16,948
Cash at Bank and In Hand	19	3,905	3,293
		51,213	46,482
CREDITORS: AMOUNTS DUE WITHIN ONE YEAR			
Creditors	11	37,536	34,299
Dividend	11	5,107	4,301
		42,643	38,600
NET CURRENT ASSETS		8,570	7,882
TOTAL ASSETS LESS CURRENT LIABILITIES		292,374	281,065
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(9,477)	(7,847)
NET ASSETS EXCLUDING PENSION LIABILITY		282,897	273,218
Pension Liability	22	(15,634)	(14,825)
NET ASSETS		267,263	258,393
FINANCED BY:			
Share Capital	13	10,045	10,384
Revaluation Reserve	14	78,301	81,860
Revenue Reserve	15	178,917	166,120
MEMBERS' FUNDS	16	267,263	258,364
Equity Minority Interest	17	-	29
TOTAL FUNDS EMPLOYED		267,263	258,393

The notes on pages 16 to 28 form part of these accounts

GROUP CASH FLOW STATEMENT

Year Ended 3 rd September 2011	Notes	2011 (52 weeks) £'000	2010 (52 Weeks) £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18	28,809	24,197
Dividends Received from Joint Ventures	9	-	200
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest Received	9	252	148
Interest Paid		(47)	(49)
		205	99
TAXATION			
UK Corporation Tax Paid		(5,141)	(5,081)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of Tangible Fixed Assets		(20,281)	(12,119)
Purchase of Fixed Asset Investments		(1,429)	(1,118)
Sale of Tangible Fixed Assets		9,160	1,673
		(12,550)	(11,564)
ACQUISITIONS AND DISPOSALS			
Acquisition of Businesses	21	(1,791)	(13,853)
PAYMENTS TO AND ON BEHALF OF MEMBERS		(3,818)	(3,611)
CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING		5,714	(9,613)
MANAGEMENT OF LIQUID RESOURCES			
(Purchase)/Sale of Current Asset Investments		(4,763)	8,217
FINANCING			
Issue of Shares	13	2,086	2,410
Redemption of Shares	13	(2,425)	(2,176)
		(339)	234
INCREASE/(DECREASE) IN CASH DURING THE YEAR	19	612	(1,162)

The notes on pages 16 to 28 form part of these accounts

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year Ended 3rd September 2011

	2011 (52 weeks) £'000	2010 (52 Weeks) £'000
Retained Surplus for the Year	10,475	11,325
Unrealised Surplus on Revaluation of Trading Properties	176	652
Unrealised Deficit on Revaluation of Investment Properties	(277)	(4,023)
Share Interest (net of tax)	(59)	(58)
Actuarial Loss on Pension Scheme (net of deferred tax)	(1,077)	(9,649)
TOTAL GAINS AND LOSSES RELATING TO THE YEAR	9,238	(1,753)

NOTE ON HISTORICAL COST PROFITS AND LOSSES

Year Ended 3rd September 2011

	2011 (52 weeks) £'000	2010 (52 Weeks) £'000
Surplus for the year before taxation	16,237	16,571
Realisation of property revaluation gains of previous years	3,537	147
Difference between a historical depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	(79)	(37)
HISTORICAL COST SURPLUS BEFORE TAXATION	19,695	16,681
HISTORICAL COST SURPLUS FOR THE YEAR RETAINED AFTER TAXATION AND MINORITY INTERESTS	13,933	11,435

The notes on pages 16 to 28 form part of these accounts

1. Segmental Analysis

The Group has two principal segments, which are Retail and Investment Property. The results of the two segments are:

	2011 (52 Weeks) £'000	2010 (52 Weeks) £'000
Turnover (including agency turnover)		
Retail	250,416	245,177
Investment Property	11,577	11,709
Total	261,993	256,886
Gross Profit		
Retail	72,430	68,925
Investment Property	11,677	11,709
	84,107	80,634
Common Costs	(64,796)	(60,218)
Group Trading Surplus	19,311	20,416
Net Assets		
Retail	91,169	86,735
Investment Property	176,094	171,658
Total	267,263	258,393

2. Expenses – Ordinary Trading

	2011 (52 Weeks) £'000	2010 (52 Weeks) £'000
Personnel Costs	37,380	35,294
Occupancy Costs	7,682	7,496
Hire of Plant – Operating Leases	89	83
Depreciation	4,835	5,292
Deficit on Sale of Fixed Assets	15	53
Amortisation of Intangible Fixed Assets		
- Positive goodwill	1,194	1,238
- Negative goodwill	-	(1,407)
Auditors' Remuneration:		
- Audit of these financial statements	31	30
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	38	39
- Other services including taxation advice	5	27
Directors' Fees	43	40
Other Expenses	11,170	10,857
Total Expenses – Ordinary Trading	62,482	59,042

3. Employees

The average number employed by the group in the year ended 3rd September 2011 was 2,769 (2010: 2,655) of which 1,743 (2010: 1,757) were part-time and the remaining 1,026 (2010: 898) were full-time.

The Costs Incurred in Respect of these Employees were:

	2011 (52 weeks) £'000	2010 (52 weeks) £'000
Wages and Salaries	33,265	31,731
Social Security Costs	2,209	2,155
Other Pension Costs	1,906	1,408
Total Personnel Costs	37,380	35,294

4. Expenses – Member Benefits and Grants

a) Individual

New Member Packs/Members Mailout	311	232
Member Distribution General Expenses	321	341

Total Individual	632	573
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Community

Bereavement Support Service	30	35
Health Care Grants	40	70
Member Services Grant	331	291
Charity and Community Groups	314	121
Forfeits on shares	(193)	(24)
Co-operative Development Fund	50	50
Education	60	60

Total Community	632	603
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150th Celebrations

Charity and Community Groups	500	-
Member related activities	550	-
	1,050	-

Total Expenses – Member Benefits and Grants	2,314	1,176
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b) Payments To and on Behalf of Members

Dividend Points	2,406	2,188
Further Dividend Approved by Members	2,103	1,777

	4,509	3,965
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Funeral benefit	34	36
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Total	4,543	4,001
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Dividend points of £2,406,000 (2010: £2,188,000) have been accounted for during the year. Member purchases qualifying for such distribution are determined by the Board of Directors, from time to time, as is the rate of distribution. A recommendation to allocate a further £594,000 (2010: £2,103,000) will be made at the forthcoming members meeting making a total of £3,000,000 (2010: £4,291,000).

A dividend bonus of 75p (2010: 75p) for every £1 of qualifying dividend points distributed has been recommended by the Board of Directors, which will be paid to members in proportion to the dividend points already distributed in the year under review. In addition, the Board of Directors is recommending a further allocation of £600,000 and that this is used to pay an additional bonus of 25p for every £1 of qualifying dividend points in recognition of the Society's 150th Anniversary.

5. Taxation

	2011 (52 weeks) £'000	2010 (52 weeks) £'000
a) Analysis of tax charge in year		
Current tax		
UK corporation tax at 27% (2010 : 28%) on surplus for the year	5,672	4,972
Share of taxation in Joint Ventures	<u>-</u>	<u>(16)</u>
Current tax charge for the year	5,672	4,956
Deferred tax		
Taxation on FRS17 pension adjustments	100	232
Taxation provided in the year	5,772	5,188

b) Factors affecting tax charge for the year

The current tax charge for the period is higher (2010: higher) than the standard rate of corporation tax in the UK 27% (2010: 28%). The differences are explained below.

	2011 (52 weeks) £'000	2010 (52 weeks) £'000
Surplus on ordinary activities before taxation	16,237	16,571
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 27% (2010 : 28%)	4,384	4,640
Effects of:		
Revaluation gain now realised	955	-
Permanent differences between items affecting tax and accounting surplus	333	316
Current tax charge for the year	5,672	4,956

The standard rate of corporation tax in the UK will reduce to 25% in April 2012, this reduction will change the Group's future tax charge accordingly.

6. Intangible Fixed Assets – Goodwill

	Goodwill £'000
Cost	
As at 4th September 2010	21,742
Additions	<u>1,596</u>
As at 3rd September 2011	23,338
Amortisation	
As at 4th September 2010	5,290
Charged in the Year	<u>1,194</u>
As at 3rd September 2011	6,484
Net Book Value	
As at 3rd September 2011	16,854
As at 4th September 2010	<u>16,452</u>

In 2010, negative goodwill of £1,407,000 was acquired and written off in that year.

7. Tangible Fixed Assets – Trading

	Land & Buildings	Fixtures Fittings & Plant	Transport	Rental Assets	Total
	£'000	£'000	£'000	£'000	£'000
Market Value/Original Cost					
As at 4th September 2010	65,079	29,925	4,180	88	99,272
Transfer from Investment Properties	690	-	-	-	690
Additions	1,942	3,483	865	30	6,320
Disposals	(1)	(6,219)	(463)	(60)	(6,743)
Revaluation	(463)	-	-	-	(463)
As at 3rd September 2011	67,247	27,189	4,582	58	99,076
Depreciation					
As at 4th September 2010	-	22,355	2,123	59	24,537
Charged in the Year	657	2,749	648	17	4,071
Disposals	-	(6,180)	(354)	(53)	(6,587)
Revaluation	(657)	-	-	-	(657)
As at 3rd September 2011	-	18,924	2,417	23	21,364
Net Book Value					
As at 3rd September 2011	67,247	8,265	2,165	35	77,712
As at 4th September 2010	65,079	7,570	2,057	29	74,735

The value of land and buildings includes £2,762,000 (2010: £5,744,000) of long leaseholds, the remainder being freehold.

The value of Buildings depreciated was £32,850,000 (2010: £32,333,000). A valuation of Trading Properties was carried out by Banks, Long & Co., Chartered Surveyors, of 15 St. Mary's Street, Lincoln as at 3rd September 2011 which valued all of the Group's trading land and buildings at current market value on an existing use basis at £67,247,000 (2010: £65,079,000). This valuation has been incorporated within the Group Balance Sheet.

8. Fixed Assets – Investment Properties

	Land & Buildings		Landlords	Total
	Freehold	Leasehold	Fixtures	Total
	£'000	£'000	£'000	£'000
Market Value/Original Cost				
As at 4th September 2010	162,395	10,981	893	174,269
Transfers	4,730	(5,420)	-	(690)
Additions	14,986	187	52	15,225
Disposals	(7,681)	-	(20)	(7,701)
Revaluation	(796)	(140)	-	(936)
As at 3rd September 2011	173,634	5,608	925	180,167
Depreciation				
As at 4th September 2010	-	-	611	611
Charged in the Year	659	-	105	764
Disposals	-	-	(20)	(20)
Revaluation	(659)	-	-	(659)
As at 3rd September 2011	-	-	696	696
Net Book Value				
As at 3rd September 2011	173,634	5,608	229	179,471
As at 4th September 2010	162,395	10,981	282	173,658

8. Fixed Assets – Investment Properties (Continued)

A valuation of investment properties was carried out by Banks, Long & Co., Chartered Surveyors, 15 St. Mary's Street, Lincoln as at 3rd September 2011. The valuation was carried out in accordance with RICS valuation standards on an open market basis. The historical cost of Land and Buildings included in notes 7 and 8 is £168,188,000 (2010: £156,595,000).

9. a) Investments	Fixed Assets		Current Assets		Interest and Dividend	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Co-operative Group Ltd.	290	290	-	-	17	17
- Corporate Investor Shares	-	-	21,011	16,348	140	112
Unquoted Companies	254	254	-	-	8	6
Local Authorities	3	3	-	-	-	-
Mortgages	49	96	-	-	2	3
Funeral Bonds	9,171	7,695	700	600	-	-
Short term Deposits	-	-	-	-	85	10
Totals	9,767	8,338	21,711	16,948	252	148
Joint Venture	-	-	-	-	-	5
Interest Paid	-	-	-	-	(17)	(69)
Total Investments	9,767	8,338	21,711	16,948	235	84

Funeral Bonds

Bonds are invested as individual life policies with the Co-operative Insurance Society Limited (CIS). Surpluses are not recognised until such time as the plan is invoked.

b) Joint Ventures

	2011 £'000	2010 £'000
Balance Brought Forward	-	268
Share of Trading Losses	-	(82)
Share of Net Interest Received	-	5
Share of Tax Charged	-	16
Dividends Remitted	-	(200)
Reserves at consolidation	-	(7)
Total Balance Sheet Values	-	-

During 2010 the Group acquired the remaining shares of Greetwell Developments Limited and consolidated the year end balances as a subsidiary.

9. Investments (Continued)

c) Subsidiaries

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

- (i) Lincoln Corn Exchange and Markets (1991) Ltd. – Property Investment
- (ii) Lincoln Co-operative Chemists Ltd. – Retail Chemist Shops
- (iii) L.C.S. Property Ltd. – Property Holding Company
- (iv) Lincoln Shop Equipment Ltd. – Cash Register Sales & Service
- (v) Holland Brothers Ltd. – Motor Dealership
- (vi) LCS Retail Ltd. – Food and Petrol Retail
- (vii) F Maltby & Sons Ltd – Wholesale Chemists
- (viii) Greetwell Developments Ltd – Property Investment
- (ix) Gadsby's of Southwell Ltd. – Bakery
- (x) Wrights Lincoln Ltd. – Does not trade
- (xi) Lincoln Carlton & Newark Dairies (1983) Ltd. – Does not trade
- (xii) Onyxbridge Ltd. – Does not trade
- (xiii) F Maltby Ltd – Does not trade
- (xiv) Blueprint Developments – Does not trade
- (xv) Figurefirst Ltd – Does not trade
- (xvi) F Maltby Holdings Ltd – Does not trade

10. Debtors

	Falling Due Within One year		Falling Due After One Year	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Credit Sales	378	470	-	-
Trade Debtors	6,678	8,186	-	-
VAT	519	580	-	-
Other Debtors and Prepayments	1,331	1,383	-	-
Total Debtors	8,906	10,619	-	-

11. a) Creditors

	Falling Due Within One year		Falling Due After One Year	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade Creditors	17,599	16,408	-	-
Accrued Charges	9,365	7,960	-	-
Other Taxation and Social Security	578	592	-	-
Member Benefits and Grants	409	363	150	150
Corporation Tax	8,885	8,376	-	-
Funeral Bonds	700	600	9,327	7,697
	37,536	34,299	9,477	7,847

11. b) Dividend

	Falling Due Within One Year		Falling Due After One Year	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Dividend Approved Not Yet Distributed	2,266	1,794	-	-
Dividend Points Balances on Dividend Cards	2,841	2,507	-	-
	5,107	4,301	-	-
Total Creditors	42,643	38,600	9,477	7,847

12. Provisions for Liabilities and Charges

Deferred Tax

An analysis of the amounts provided are set out below:

	2011 £'000	2010 £'000
Accelerated capital allowances	(255)	(117)
Other timing differences	255	117
Deferred tax provisions at the end of the year	-	-

Deferred tax on chargeable gains rolled over has not been provided in the accounts. Included in 'other timing differences' are amounts relating to differing treatment of member benefits and provisions between the accounts and in the current tax provision.

13. Share Capital

	2011 £'000	2010 £'000
Balance to begin the year	10,384	10,150
Contributions	1,908	2,223
Dividend Bonus Credited to Accounts in the Year	97	106
Interest	81	81
	12,470	12,560
Withdrawals	(2,425)	(2,176)
Balance to end the year	10,045	10,384

(i) The whole of the share capital comprises £10,045,163 non equity shares of £1 attracting interest at the rates below:

Balance	Interest Rate
£0 - £20	Nil
£20 - £1,000	0.5%
£1,000 - £5,000	1.0%
£5,000 - £20,000	1.5%

13. Shared Capital (continued)

- 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 redemption of dividend points and by payments of dividend into members' share accounts.
- vi) The Society has in place a scheme covering total share capital, guaranteed by partners of Andrew & Co., the Society's Solicitors, and underpinned by a floating charge on property.

14. Revaluation Reserve

	Trading Property 2011 £'000	Investment Property 2011 £'000	Total 2011 £'000
Balance to begin the year	47,557	34,303	81,860
Revaluation during the year	194	(277)	(83)
Transfer of amount equivalent to additional depreciation on revalued assets	79	-	79
Transfer on disposal	56	(3,593)	(3,537)
Minority Interest	(18)	-	(18)
Balance to end the year	47,868	30,433	78,301

15. Revenue Reserve

	2011 £'000
Balance to begin the year	166,120
Transfer from Revaluation Reserve	3,458
Retained Surplus for the Year	10,475
Actuarial Loss on Pension Scheme	(1,077)
Share interest	(59)
Balance to end the year	178,917

The cumulative total of goodwill written off directly against the Group Revenue Reserve amounts to £6,254,000 (2010 £6,254,000).

16. Reconciliation of Movements in Members' Funds

	2011 £'000	2010 £'000
Retained Surplus for the year	10,475	11,325
Other recognised Gains and Losses relating to the year	(1,219)	(13,077)
Minority share of Group Revaluation Surplus	(18)	(1)
Movement on Share Capital	(339)	234
Net additions/(deductions) to Members' Funds	8,899	(1,519)
Opening Members' Funds	258,364	259,883
Closing Members' Funds	267,263	258,364

17. Minority Interests

	2011 (52 Weeks) £'000	2010 (52 Weeks) £'000
Balance to begin the year	29	(30)
Share of (loss)/surplus for the period	(10)	58
Share of revaluation	18	1
Minority interest transferred to Group	(37)	-
Balance to end the year	-	29

18. Reconciliation of Operating Surplus to Cash Inflow from Operating Activities

	2011 (52 Weeks) £'000	2010 (52 Weeks) £'000
Trading Surplus	19,311	20,416
Non cash Pension Costs	362	326
Additional Pension Contribution	(833)	(1,000)
Depreciation Charges	4,835	5,292
Deficit on Sale of Fixed Assets	15	53
Amortisation of goodwill	1,194	(169)
(Increase)/Decrease in Stocks	(1,006)	310
Decrease/(Increase) in Debtors	1,712	(444)
Increase/(Decrease) in Creditors	3,219	(587)
Cash Inflow from Operating Activities	28,809	24,197

19. Analysis of Net Funds

	At 4 September 2010 £'000	Cash Flow £'000	At 3 September 2011 £'000
Cash in hand and at bank	3,293	612	3,905
Current asset investments	16,948	4,763	21,711
Totals	<u>20,241</u>	<u>5,375</u>	<u>25,616</u>

20. Reconciliation of Net Cash Flow to Net Funds

	2011 (52 weeks) £'000	2010 (52 weeks) £'000
Increase/(Decrease) in cash in the year	612	(1,162)
Cash outflow/(inflow) to/(from) liquid resources	4,763	(8,217)
Cash acquired with subsidiaries	-	1,381
Change in Net Funds resulting from cash flows	<u>5,375</u>	<u>(7,998)</u>
Net Funds at the start of the year	<u>20,241</u>	<u>28,239</u>
Net Funds at the end of the year	<u>25,616</u>	<u>20,241</u>

21. Acquisitions and Disposals

During the year the Group acquired a further 40% of the ordinary shares of Gadsby's of Southwell Limited making it a 100% owned subsidiary. The historic value of the minority interest at the date of acquisition was £37,000. The purchase price including costs was £308,000 and the value of goodwill was £271,000.

During the year the Group acquired the assets and goodwill of other businesses. The associated costs are as follows:

	£'000
Tangible fixed assets	95
Stocks	63
	<u>158</u>
Goodwill	<u>1,325</u>
Satisfied by cash	<u>1,483</u>

22. Pension Scheme

The Society operates a pension scheme providing benefits based on final pensionable pay. The latest full actuarial valuation was carried out at 30th September 2009 and was updated for FRS17 purposes to 3rd September 2011 by a qualified independent actuary.

Amounts recognised in the Group Balance Sheet	2011 £'000	2010 £'000
Present value of funded obligations	(79,844)	(75,743)
Fair value of plan assets	58,982	56,016
Deficit	(20,862)	(19,727)
Related deferred tax asset	5,228	4,902
Net liability	(15,634)	(14,825)

Amounts recognised in the Group Revenue Account	2011 £'000	2010 £'000
Current service cost	1,906	1,408
Interest on obligation	3,926	3,387
Expected return on plan assets	(3,823)	(3,541)
Total	2,009	1,254

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

	2011 £'000	2010 £'000
Expenses – Ordinary Trading	1,906	1,408
Other Finance Income	103	(154)
Total	2,009	1,254

Amounts recognised in the Group Statement of Total Recognised Gains and Losses

	2011 £'000	2010 £'000
Cumulative amount at beginning of year	(19,223)	(6,685)
Recognised during the year	(1,503)	(12,538)
Cumulative amount at end of year	(20,726)	(19,223)

Changes in the present value of scheme obligations

	2011 £'000	2010 £'000
Opening obligation	75,743	58,598
Service cost	1,906	1,408
Interest cost	3,926	3,387
Employees contributions	719	705
Actuarial losses	251	14,166
Benefits paid	(2,701)	(2,521)
Closing obligation	79,844	75,743

22. Pension Scheme (continued)

Changes in the fair value of plan assets	2011 £'000	2010 £'000
Opening fair value of scheme assets	56,016	50,581
Expected return	3,823	3,541
Actuarial (losses)/gains	(1,252)	1,628
Contributions by employer	2,377	2,082
Contributions by members	719	705
Benefits paid	(2,701)	(2,521)
	58,982	56,016
Actual return on scheme assets	2,571	5,169

Assets in the plan as a percentage of total plan assets	2011	2010
Bonds	23%	26%
Equities	73%	69%
Other	4%	5%

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	2011	2010
Discount rate	5.2%	5.2%
Expected return on scheme assets	6.8%	7.04%
Rate of increase in salaries	4.3%	4.2%
Rate of increase in payment of pre1997 pension in excess of GMP	0.0%	0.0%
Rate of increase in payment of post 1997 Pensions	3.3%	3.2%
Rate of revaluation of deferred pensions in excess of the GMP	3.3%	3.2%
Inflation assumption	3.3%	3.2%

In addition to the above discretionary increases on the pre April 1997 and post April 2006 accrued pensions have been valued until September 2014 at 3.3% p.a. After this period no further allowances have been made for discretionary increases.

The employer expects to continue contributing not less than an amount equal to the members' contributions plus 3.8% of pensionable payroll. In addition it is to contribute £2,438,000 p.a. to the scheme.

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

Current pensioner aged 65:	21.7 years (male)
	24.4 years (female)
Future retiree upon reaching 65:	23.7 years (male)
	26.4 years (female)

22. Pension Scheme (continued)

History of experience gains and losses	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Defined benefit obligation	(79,844)	(75,743)	(58,598)	(58,821)	(53,766)
Plan assets	58,982	56,016	50,581	54,170	57,224
(Deficit)/Surplus	(20,862)	(19,727)	(8,017)	(4,651)	3,458
Experience adjustments on plan liabilities	347	(3,247)	42	71	2,099
Experience adjustments on plan assets	(1,252)	1,628	(6,989)	(6,787)	2,088

23. Capital Commitments

Outstanding contracts for capital expenditure not provided for in the accounts amounted to £3,060,000 (2010: £7,192,000) and capital expenditure and acquisitions authorised by the Directors for which no contracts have been placed totalled £23,091,000 (2010: £16,628,000).

24. Commitments Under Operating Leases

At 3rd September 2011 the Group had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2011 £'000	2010 £'000
Within one year	48	105
In two to five years	33	99
Over five years	499	531
Total Annual Commitments	580	735

These levels are subject to rent reviews

25. Contingent Liability

No provision has been made for corporation tax on the capital gain estimated at £11,500,000 (2010: £13,000,000) which would arise if the trading and investment properties were sold at the revalued amounts.

HISTORICAL COMPARATIVE STATEMENT

	2007 52 Weeks	2008 53 Weeks	2009 52 Weeks	2010 52 Weeks	2011 52 Weeks
Membership	149,247	161,124	173,853	187,124	205,130
Revenue Account	£'000	£'000	£'000	£'000	£'000
Gross Sales	215,434	235,624	239,405	277,830	285,208
Depreciation	4,508	4,697	4,723	5,292	4,835
Trading Surplus	17,362	17,757	19,471	20,416	19,311
Members' Benefits	1,019	1,120	1,220	1,176	2,314
Dividend	3,909	3,874	4,075	4,327	3,034
Transfer to reserve	11,968	11,268	11,532	11,325	10,475
Balance Sheet					
Intangible Assets	10,080	9,101	8,619	16,452	16,854
Total Tangible Assets	208,617	235,622	245,198	248,393	257,183
Total Fixed Investments	5,721	6,161	7,488	8,338	9,767
Net Current Assets	23,287	9,547	11,033	7,882	8,570
Long Term Creditors	(4,869)	(5,526)	(6,713)	(7,847)	(9,477)
Net Assets Before Pension Assets/(Liability)	242,836	254,905	265,625	273,218	282,897
Pension Assets/(Liability)	2,421	(3,349)	(5,772)	(14,825)	(15,634)
Net Assets	245,257	251,556	259,853	258,393	267,263
Share Capital	9,628	9,650	10,150	10,384	10,045
Reserves	235,820	242,027	249,733	247,980	257,218
Minority Interest	(191)	(121)	(30)	29	-

Comparative amounts have been restated where appropriate.

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

1. To confirm the minutes of the Annual General Meeting held in November 2010 (half yearly meeting held on 26 May 2011 for Lincoln AGM only)
 2. To receive the Directors' Report, Auditor's Report and Annual Accounts.
 3. To consider the recommendations of the Board of Directors:-
 - (a) that £3,000,000 is allocated to dividend from which interim dividends of £2,406,000 have already been paid; and
 - (b) for a dividend bonus of 75p for every £1 of dividend points distributed in the year to 3 September 2011; and
- In recognition of the Society's 150th anniversary;**
- (c) a further £600,000 is allocated to dividend; and
 - (d) for an additional bonus of 25p for every £1 of dividend points distributed in the year to 3 September 2011.
4. To consider the recommendation of the Board of Directors that the basic rate of issue of dividend points continues at 24 points per £1 spent with a value of £1 for every 2,400 points redeemed.
 5. To ratify the appointments of the Society directors appointed under Special Rule XI.
 6. To consider the resolution that KPMG LLP be re-appointed Auditors of the Society to hold office from the conclusion of the Lincoln Annual General Meeting until the conclusion of the next annual general meeting at which the accounts are laid before the Society, at a remuneration to be fixed by the Directors.
 7. To consider the resolution that we support and celebrate 2012 as the UN International Year of Co-operatives by;

- (a) recognising the vital role that co-operatives play in the economic and social wellbeing of the United Kingdom; and
- (b) Engaging in efforts to raise the profile of co-operatives and demonstrate how they help build a better world by sharing wealth and giving members an equal say.

Questions must be submitted in accordance with Special Rule VII (d) and General Rule 73. See standing orders inside back cover of Annual Report.

Members must produce their share book or dividend card to gain entry to these meetings. Any member present who holds a minimum of £1 share capital and has been a member of the Society for 6 months shall have one vote. Please note: To use a dividend card as proof of voting entitlement the minimum balance of £1 must have been in the member's share account on 5 November 2011.

At the conclusion of the meeting members are invited to remain for a buffet and to take the opportunity to talk to Directors on an informal basis.

Date	Location	
Tuesday 15 November	The Weston Rooms, Hickman Street.	Gainsborough
Wednesday 16 November	Town Hall, Town Hall Square	Grimsby
Thursday 17 November	South Holland Centre, 23 Market Place, Town Centre.	Spalding
Monday 21 November	The Everyday Champion Church Jessop Close Brunel Business Park.	Newark
Tuesday 22 November	The Stanhope Hall, Boston Road	Horncastle
Wednesday 23 November	The Lincoln Suite, The Lawn, Union Road.	Lincoln

All meetings begin at 7.00pm.

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

SPECIAL RULE VII(d) Members wishing to ask a question at any Members' Meeting of the Society must submit the question in writing to the Secretary at least 48 hours before the relevant meeting.

SPECIAL RULE X How Votes Shall be Taken – the minimum number of members required to demand a ballot vote at meetings shall be 40 or at least 50 percent of members present and entitled to vote if less than 80 members be in attendance.

GENERAL RULE 73 Complaints by Members – a member who has any complaint to make as to the quality, quantity, or price of any goods or services supplied by the Society, or the conduct of any officer or employee of the Society, shall send the particulars of such complaint to the Board who shall inquire into and decide upon them, subject to an appeal from any such decision to an ordinary meeting of members; but no such complaint shall be brought before any such meeting except on appeal.



Our mission

Our mission - to be a successful co-operative business

Lincolnshire Co-operative

- **providing** the widest possible range of services for our members
- **maintaining** quality, value and ethical principles
- **building** for the future by generating profits to develop our services, pay dividends to members and support our local communities
- **encouraging** customers to become members and to be involved in running their Society
- **developing** the skills our staff need, to help achieve **Our mission**



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