



ANNUAL REPORT 2022

Southern Plains Co-operative Limited

SOUTHERN PLAINS CO-OPERATIVE LIMITED

OUR VALUES

Excellence

Teamwork

People

OUR VISION

To be THE retailing leader in Southeast Saskatchewan.

OUR MISSION

We put people first through the development of our employees, by contributing to the communities we serve and by providing excellence and value to our members and customers.

OUR ASPIRATION

We pursue this vision by having our members and customers feel at home, because we are part of the fabric of the communities we serve. We foster meaningful careers and inspire our employees to bring our brand to life every day. We model a culture of teamwork, creativity and innovation through the excellence of people. We leverage our financial strength to support sustainable growth of our co-operative.

EXCELLENCE • TEAMWORK • PEOPLE

You're at home here.



**SOUTHERN PLAINS CO-OPERATIVE LIMITED
SEVENTY-FIFTH ANNUAL MEETING
TUESDAY MAY 31,2022**

AGENDA

- 1. Call to Order**
- 2. Adoption of the Agenda**
- 3. Minutes of the Seventy-Fourth Annual Meeting**
- 4. Introduction of the Board of Directors**
- 5. Business arising from the Minutes**
- 6. Reports:**
 - a. Nomination Committee**
 - b. Board of Directors**
 - c. General Manager**
 - d. Finance, Audit and Risk Committee**
 - e. Auditors Report and Financial Statement**
 - f. Appointment of Auditors**
 - g. Member Engagement Committee**
- 7. Question Period**
- 8. New Business:**
 - a. Bylaw Changes**
- 9. Resolutions**
- 10. Adjournment**

SOUTHERN PLAINS CO-OPERATIVE LIMITED
MINUTES OF THE SEVENTY-FOURTH ANNUAL MEETING
Held Monday June 21, 2021

PLACE: Prairie Dog Drive Inn Theatre, Carlyle, SK

CALL TO ORDER: The meeting was called to order by Chairman Scott Kienlen at 7:02 p.m.

Scott Kienlen went through the process of how the meeting would work for questions and motions.

ADOPTION OF THE AGENDA:

Chairman Scott Kienlen presented the agenda of the Seventy Fourth Annual meeting.

Linda Thauberger-Smith moved the adoption of the agenda seconded by Debbie Jack.

Carried.

ADOPTION OF THE MINUTES:

Chairman Scott Kienlen called on James Lainton, secretary of the Board to read the minutes of the Seventy-Third Annual meeting.

Moved by Francis Boutin, seconded by Stephanie Nadeau that the minutes be adopted as presented.

Carried.

Scott Kienlen introduced the Board of Directors.

BUSINESS ARISING FROM THE MINUTES:

None.

NOMINATING COMMITTEE REPORT:

Darcy Calder of the Nominating Committee gave the Nominating Committee Report. Four positions are open for election for a three-year term.

The following candidates were presented by the Nominating Committee:

1. Scott Kienlen
2. Frances Boutin
3. David Murray

There will not be an election.
The above will be directors by acclamation.

MOTION: Moved by James Lainton seconded by Richard Ruetz to approve the nomination committee report and to accept Scott Kienlen, Frances Boutin and David Murray as directors by acclamation.
Carried.

BOARD OF DIRECTORS REPORT: Scott Kienlen, President of the Board, presented the Board of Directors' report.

GENERAL MANAGERS REPORT: Chairman Scott Kienlen called on Brian Enns, General Manager to give his report which included the audit report and financial statement

FINANCE AUDIT AND RISK COMMITTEE REPORT: Chairman Scott Kienlen called on Richard Ruetz to give the Finance, Audit and Risk Committee Report.

APPOINTMENT OF THE AUDITORS: Moved by Richard Ruetz seconded by Darcy Calder that the external auditors for the Southern Plains Co-operative Limited be Myers Norris and Penny Limited.

Carried.

MEMBER ENGAGEMENT COMMITTEE REPORT: Chairman Scott Kienlen called on Rhonda Huish to give the Member Engagement Committee report.

MOTION: Moved by David Murray seconded by Linda Thauberger-Smith that these reports be adopted as presented.
Carried.

QUESTIONS PERIOD: A question and answer period was held.

MEMBER

ATTENDANCE:

Chairman Kienlen read the attendance of the meeting. There were 29 members and 2 visitors.

NEW BUSINESS:

MOTION:

Moved by James Lainton seconded by Darcy Calder to approve the following bylaw change:

4.01 (a) General meetings of the Co-operative shall be held at such locations in Saskatchewan and in the trading area of the Co-operative, as may be determined by the Board of Directors.

(b) Electronic Attendance:

The Board of Directors may permit members to attend a meeting of members by means of telephonic, electronic, or other communication facility that permits all persons participating in the meeting to communicate adequately with each other during the meeting.

Carried.

ADJOURNMENT:

Chairman Scott Kienlen declared the meeting adjourned at 7:54 p.m.

Signed and Sealed this _____ Day of _____, 2022

President

Secretary

2021 Board Meeting Attendance Summary

Name	Meeting	Special	Term Expires
Rhonda Huish	9		2022
James Lainton	10		2022
Darcy Calder	9		2022
Lynne Hewitt	9		2023
Richard Ruetz	9		2023
Linda Thauberger-Smith	10		2023
Frances Boutin	9		2024
Scott Kienlen	10		2024
David Murray	8		2024

Total Regular Meetings: 10

Total Special Meetings: 0

**BOARD OF DIRECTORS REPORT
2021 ANNUAL MEETING**

I am pleased to report to you on behalf of the Southern Plains Co-op Board of Directors. This is the 75th annual meeting of our co-op.

The statement of operations will give you further details regarding our financial results. I will simply hi-lite a few of those results. For the year ending January 31, 2022, our sales were \$86,092,080...a record year for Southern Plains! Our second-best year was in 2019 with \$79.5M in sales. In 2020 Federated Cooperatives Limited (FCL) changed to a loyalty program for fuel sales. This is coupled with the patronage allocation for other goods. The overall FCL investment return was \$4,456,586. After receiving the above and allowing for a deduction for income taxes payable, our net savings were \$4,138,004. In total, we paid \$1,236,587 back to our members in cash this past year.

In the year ending January 2022, our sales rose \$13.2 million as compared to the previous year. As health restrictions eased during the pandemic, sales have increased particularly in fuel volume coupled with price. The local economy is gaining momentum. The oil and gas sector has seen welcomed growth in activity along with the agriculture industry. Our financial position remains very strong, and we are confident in the future of our co-op. We continue to look for diversification opportunities to grow our business while contributing back to our local communities.

We continued to grow and invest in the communities we serve. Southern Plains currently employs 211 staff - the highest number of employees in our history. A \$4M investment was made in the construction of a new liquor store which opened a week or so ago at the Carlyle c-store location. There are minor items remaining to complete the project. We are on track to begin construction of a new food store at our Carlyle location in 2023-24. Last week a state-of-the-art bulk fertilizer and chemical supply center opened at our property on the Estevan bypass which is on budget at \$8M. Our current Agro center will follow to that location with an opening expected in the summer of 2022. The Co-op Click and Collect on-line food ordering and pickup service in Estevan remains popular with customers. We will be expanding our delivery area to include Woodlawn Park in Estevan this year.

We continue working in partnership with our neighboring co-ops when opportunities arise, whether it be shared delivery of fuel or agro sales and supplies, providing administrative support, health and safety services and shared bulk oil delivery - a sample of these services.

We continue to contribute to our local communities with donations and sponsoring fund raisers for local events and projects. Southern Plains Coop is once again booking in-person fund raisers, such as bar-b-ques. Our member relations committee report will speak more specifically to this. We were able to continue with multiple donations and sponsorships to many groups within our communities we serve. We are local, can always be counted on, and we are Coop.

We want to thank our general manger, Brian Enns, for all his efforts this past year. The board also thanks all our management and staff for their dedication over the previous year. Our employees do offer the highest level of service. There is no doubt through their efforts that we achieve the successes we do. And we note the pandemic does continue to influence our staff and operations.

We also thank all of you, our members and customers for their continued support over the past year. We owe our success to you, who purchase our products and services every day; putting Coop first. We appreciate your patience as supply change issues continue to be challenging as product delivery is delays cross nearly all our merchandise lines and variety selection consolidation. Your support and input is appreciated. We believe the benefits of membership in Southern Plains Co-op are evident.

Our Board of Directors knows it is essential to continue to achieve excellence in providing products and services to our members and customers. We know maintaining infrastructure is an important component and we are proud of our facilities that are in place to serve you at our locations in the south-east. The Board makes decisions that are in the best interests of our association and its members. It is important to constantly seek further opportunities for growth in keeping our coop strong.

We look forward to the future and the opportunities it may bring. You're at home here!

Scott Kienlen
President
Board of Directors.

**FINANCE, AUDIT AND RISK COMMITTEE
REPORT
2022 Annual Meeting**

Good evening everyone. In 2021, Southern Plains Co-op engaged in an interim audit performed by Federated Co-op. These results are shared with MNP, who in turn completes the year end audit and provides the Annual Report. MNP meets with the Board of Directors and reviews the audited financial statement and answers any questions or concerns.

Responsibilities of the Committee.

Assess the effectiveness of the risk management process in the identification, prioritization, management and monitoring of risks.

- Assess the effectiveness of controls to mitigate risks including the safeguarding of assets and compliance with laws and regulations.
- Discuss with management, external and internal auditors the risk of fraud and how the risk is mitigated.
- Enquire as to whether any ethics hotline or whistle blower concerns were raised by staff or others and the resolution of such concerns.

1. Review and recommend an annual operating budget and annual capital budget consistent with the long- range priorities, financial plan and financial policies.
2. Monitor financial performance against budget, industry and co-op benchmarks and review major differences with management.
3. Review and recommend authority limits for management on such items as fixed asset purchases, major repairs and interest write offs.
4. Review and recommend changes to credit, fixed asset (request for expenditures), accounts receivable and equity management policies.
5. Review and approve recommended account write-offs.
6. Review year end financial results and recommend patronage allocation rates.
7. Review and recommend general cash repayment.
8. Review and recommend pay-out of equities in accordance with the co-operative's policy.
9. Review, recommend and approve sale and purchase of fixed assets outside of management authority limits.
10. Consider and recommend any other financial policies that maintain and improve the financial health of the co-operative.
11. Review the financial aspects of major proposed transactions and new services as well as proposals to discontinue services and make recommendations to the board.

In 2021, the Board of Directors established financial goal posts which would meet our annual equity objectives while maintaining a healthy balance sheet and yet providing adequate capital structure to meet future growth objectives while maintaining a viable and vibrant co-operative.

We approved equity allocations of 2.0% on agro equipment, 2.0% on feed, 3.5% on food purchases, 2.0% on general merchandise, 6.5% on dyed diesel fuel, 4.75% on petroleum purchases, 3.5% on Spirits and 10.0% on oil. In total, we allocated \$2,767,204.00 to our members and paid over \$1.2 million back in cash this past year.

I would like to thank MNP for auditing the financial statement and feel they have done a very competent job, especially when dealing with staff and management.

I would like to make a motion to have MNP provide the external audit for Southern Plains Co-operative Limited for the 2022 fiscal year.

Respectfully submitted
Richard Ruetz Chairman

To the Members of Southern Plains Co-operative Limited:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Southern Plains Co-operative Limited (the "Co-operative"), which comprise the balance sheet as at January 31, 2022, and the statements of net savings and retained savings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at January 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Co-operative in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines 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, management is responsible for assessing the Co-operative'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 management either intends to liquidate the Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

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 Canadian generally accepted auditing standards 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 these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by paragraph 11 of the Co-operatives Regulations, 1998, we report that, in our opinion, Canadian accounting standards for private enterprises has been applied on a basis consistent with that of the preceding year.

Weyburn, Saskatchewan

May 19, 2022

MNP LLP

Chartered Professional Accountants


Southern Plains Co-operative Limited
Balance Sheet
As at January 31, 2022

	2022	2021
Current assets		
Cash and cash equivalents	\$ 405,753	\$ 346,928
FCL special deposit (Note 4(a))	7,207,664	8,367,481
Accounts receivable - Customer (Note 5)	2,612,182	1,584,992
- Other	20,910	5,709
Income taxes recoverable	125,060	181,749
Inventories	4,998,638	4,525,135
Prepaid expenses	357,090	355,067
Current portion long-term receivable (Note 6)	10,150	9,686
	<u>15,737,447</u>	<u>15,376,747</u>
Long-term receivable (Note 6)	62,140	71,917
Investments		
Federated Co-operatives Limited (Note 4(b))	14,389,818	13,826,743
Other organizations	57	56
Property, plant and equipment (Note 7)	20,768,904	17,452,589
Intangible assets (Note 8)	860,700	484,700
Goodwill (Note 9)	117,500	117,500
Total assets	\$ 51,936,566	\$ 47,330,252
Current liabilities		
Accounts payable and trust liabilities (Note 11)	\$ 6,661,762	\$ 4,984,661
Customer prepaid accounts	100,619	138,985
	<u>6,762,381</u>	<u>5,123,646</u>
Asset retirement obligation (Note 4(c))	184,930	173,005
Total liabilities	<u>6,947,311</u>	<u>5,296,651</u>
Members' equity		
Share capital (Note 12)	19,940,553	18,357,493
Reserves and retained savings (Note 13)	25,048,702	23,676,108
	<u>44,989,255</u>	<u>42,033,601</u>
Total liabilities and members' equity	\$ 51,936,566	\$ 47,330,252

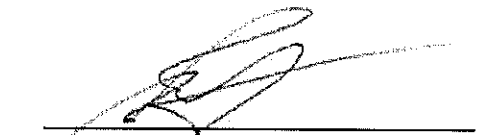
Subsequent event (Note 20)

Commitments (Note 21)

Approved on behalf of the Board of Directors



 Director



 Director

The accompanying notes are an integral part of these financial statements



Southern Plains Co-operative Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended January 31, 2022

	2022	%	2021	%
Sales (Note 14)	\$ 86,092,080	100.0	\$ 72,835,843	100.0
Cost of goods sold	<u>72,634,547</u>	<u>84.4</u>	<u>59,893,308</u>	<u>82.2</u>
Gross margin	<u>13,457,533</u>	<u>15.6</u>	<u>12,942,535</u>	<u>17.8</u>
Expenses				
Operating and administration	13,368,864	15.5	13,488,356	18.5
Net interest (Note 16)	<u>(237,945)</u>	<u>(0.3)</u>	<u>(199,938)</u>	<u>(0.3)</u>
	<u>13,130,919</u>	<u>15.2</u>	<u>13,288,418</u>	<u>18.2</u>
Savings (loss) from operations	326,614	0.4	(345,883)	(0.4)
FCL loyalty program (Note 4(d)(iii))	1,641,212	1.9	1,602,289	2.2
Patronage refunds	<u>2,815,374</u>	<u>3.3</u>	<u>873,997</u>	<u>1.2</u>
Savings before income taxes	4,783,200	5.6	2,130,403	3.0
Income tax expense (Note 18)	<u>645,196</u>	<u>0.7</u>	<u>253,485</u>	<u>0.3</u>
Net savings	<u>\$ 4,138,004</u>	<u>4.9</u>	<u>\$ 1,876,918</u>	<u>2.7</u>
Retained savings, beginning of year	\$ -		\$ -	
Net savings	4,138,004		1,876,918	
Transfer to statutory reserve (Note 13)	(239,160)		(106,520)	
Transfer to general reserve (Note 13)	(1,131,640)		(370,552)	
Patronage allocation to members (Note 20)	<u>(2,767,204)</u>		<u>(1,399,846)</u>	
Retained savings, end of year (Note 13)	<u>\$ -</u>		<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements



Southern Plains Co-operative Limited
Statement of Cash Flows
For the Year Ended January 31, 2022

	2022	2021
Operating activities		
Net savings	\$ 4,138,004	\$ 1,876,918
Adjustments for:		
Depreciation	1,768,767	1,972,113
Accretion	11,925	-
FCL patronage refund	(2,815,372)	(873,995)
Loss on the disposal of property, plant and equipment	79	3,438
Changes in non-cash operating working capital:		
Accounts receivable	(1,042,391)	1,232,797
Income taxes recoverable	56,689	265,545
Inventories	(473,503)	(161,602)
Prepaid expenses	(2,023)	(14,662)
Long-term receivables	9,313	8,397
Accounts payable and trust liabilities	1,677,101	(2,860,615)
Customer prepaid accounts	(38,366)	(5,107)
Cash provided by operating activities	<u>3,290,223</u>	<u>1,443,227</u>
Investing activities		
Redemption of FCL shares	2,252,297	786,595
Additions to property, plant and equipment	(5,085,161)	(729,505)
Additions to intangible assets	(376,000)	-
Proceeds from the disposal of property, plant and equipment	-	1,378
Investment in other organization	(1)	(2)
Cash provided by (used for) investing activities	<u>(3,208,865)</u>	<u>58,466</u>
Financing activities		
Share capital issued	4,390	4,020
GST on allocation	49,847	81,386
Redemption of share capital	(1,236,587)	(1,796,952)
Cash used for financing activities	<u>(1,182,350)</u>	<u>(1,711,546)</u>
Net decrease in cash and cash equivalents	<u>(1,100,992)</u>	<u>(209,853)</u>
Cash and cash equivalents, beginning of year	<u>8,714,409</u>	<u>8,924,262</u>
Cash and cash equivalents, end of year	<u>\$ 7,613,417</u>	<u>\$ 8,714,409</u>
Cash and cash equivalents are comprised of:		
Cash and cash equivalents	\$ 405,753	\$ 346,928
FCL special deposit	7,207,664	8,367,481
	<u>\$ 7,613,417</u>	<u>\$ 8,714,409</u>

The accompanying notes are an integral part of these financial statements



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2022

1. Incorporation and operations

Southern Plains Co-operative Limited ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on April 10, 1946. The primary business of the Co-operative is operating retail agricultural, hardware, food, and petroleum outlets in Estevan, Carlyle, Oxbow, Gainsborough, Alameda and surrounding areas in Saskatchewan.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises. A precise determination of many assets and liabilities is dependent upon future events and consequently, the preparation of these financial statements involves the use of estimates and approximations. Areas subject to estimation include valuation of accounts receivable, inventory, useful life of property, plant and equipment, impairment of long-lived assets, intangible assets, goodwill, income taxes, asset retirement obligations, accrued liabilities and potential contingencies. These estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

These financial statements have been prepared to reflect the following significant accounting policies:

(a) Definition of financial year

The Co-operative's financial year ends on the Saturday closest to January 31.

(b) Cash and cash equivalents

Cash and cash equivalents are defined as cash and investments with an initial maturity of less than three months.

(c) Inventories

Inventories are valued using a weighted average formula, first-in first-out method, and the retail method. Inventories are stated at the lower of cost and net realizable value.

The Co-operative estimates net realizable value as the amount that inventories are expected to be sold for, taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is determined to be not recoverable due to obsolescence, damage or permanent declines in selling prices.

(d) Investments

The Co-operative's investments are accounted for using the cost method. Accordingly, the investments are recorded at acquisition cost, less any provisions for permanent impairment or adjustments for patronage refunds or share redemptions. All transactions with FCL are disclosed in a separate note (Note 4).



Southern Plains Co-operative Limited

Notes to the Financial Statements

For the Year Ended January 31, 2022

(e) Financial instruments

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at amortized cost, unless management has elected to carry the instruments at fair value. The Co-operative has not elected to carry any such financial instruments at fair value. Financial instruments, which are subsequently measured at amortized cost, are adjusted by transaction and financing costs incurred on acquisition.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Co-operative determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Co-operative could realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is taken over the estimated useful lives of the assets using the following methods and rates:

Buildings	Straight-line & declining balance	25 - 30 years & 10%
Parking lots	Declining balance	4% & 8%
Tanks & fences	Declining balance	10%
Furniture & equipment	Straight-line & declining balance	5 years & 20% - 100%
Vehicles	Declining balance	30%
Vehicle equipment	Declining balance	15%
Asset retirement cost	Straight-line	25 - 35 years

Expenditures for maintenance and repairs are charged to operating expenses as incurred. Significant expenditures for improvements are capitalized. Gains or losses realized on the disposal of property, plant and equipment are reflected in operations in the year of disposition.

Claims for assistance under various FCL programs are recorded as a reduction of the cost of related assets in the period in which eligible expenditures are incurred, with any depreciation calculated on the net amount.

An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. No such impairment loss was recorded during the year.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2022

(g) Asset retirement obligation

The Co-operative has a liability for an asset retirement obligation in the period in which a legal liability is incurred. The liability is based on management's best estimate. The liability is subsequently adjusted for the passage of time, which is recognized as an accretion expense in the statement of operations. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded.

(h) Share capital

The Co-operative approves an allocation to members subsequent to year end. The amount is recorded as an addition to share capital and a reduction in retained savings. The Co-operative records the redemption of shares that is to be paid to members at the time it has been approved by the Board of Directors.

(i) Revenue recognition

The Co-operative recognizes revenue when evidence of an arrangement exists, delivery or change of ownership has occurred, the price has been determined, and collection is reasonably assured. Patronage allocations are recognized in earnings when earned by the Co-operative.

(j) Income taxes

The Co-operative follows the taxes payable method whereby only current income tax assets and liabilities are recognized to the extent they remain unpaid or are recoverable. In addition, the benefit relating to a tax loss incurred in the current period and carried back to prior periods is recognized as a current asset. Current income tax assets and liabilities are measured using tax rates that are enacted or substantively enacted at the reporting date.

(k) Goodwill

Goodwill resulting from business combinations represents the portion of the purchase price that was in excess of the fair value of the net identifiable assets acquired. Goodwill is not amortized and is tested for impairment whenever changes in circumstances indicate that the carrying amount of the reporting unit to which goodwill is assigned exceeds the fair value of the reporting unit. If the carrying value of the reporting unit to which goodwill has been assigned exceeds its fair value, then, with respect to the reporting unit's goodwill, any excess of its carrying value over its fair value is expensed. Impairment losses relating to goodwill cannot be reversed in future years.

(l) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Indefinite life intangible assets are not amortized.

An impairment loss is recognized when the carrying amount of an intangible asset is not recoverable and exceeds its fair value. No such impairment loss was recorded during the year.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2022

(k) Government assistance

The Co-operative recognizes government assistance when there is a reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Co-operative recognizes government assistance related to the Canada Emergency Wages Subsidy ("CEWS") as a reduction to the expense which the assistance program is meant to fund.

3. Financial instruments and risk management

The significant financial risks to which the Co-operative is exposed are credit risk and interest rate risk.

(a) Credit risk

The Co-operative is exposed to credit risk on accounts receivable from its customers. The Co-operative manages credit risk through an active credit management program. The Co-operative does not have a significant exposure to any individual customer (2021 - no significant exposure to any individual customer).

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Co-operative's sensitivity to fluctuations in interest rates is limited to its cash and funds on deposit. The Co-operative manages its exposure to interest rate risk through floating rate deposits and borrowings.

4. Transactions with Federated Co-operatives Limited (FCL)

(a) FCL special deposit

Amounts held with FCL as special deposits earn interest at rates based on prime rates.

(b) Patronage refund

The Co-operative, along with other Co-operatives in Western Canada, own FCL. At the end of each year, FCL divides a substantial portion of its net savings among these retail Co-operatives in proportion to the business done by each with FCL. During FCL's fiscal year ended October 31, 2021, the Co-operative purchased goods amounting to \$57,040,608 (2020 - \$50,132,084) from FCL in the normal course of operations.

These purchases resulted in a patronage refund from FCL which was received as non-cash consideration in the form of additional shares in FCL. FCL, based on its available cash flow, redeemed an amount of FCL shares held by the Co-operative. The amounts of the patronage refund and shares redeemed are as follows:



Southern Plains Co-operative Limited

Notes to the Financial Statements For the Year Ended January 31, 2022

	2022	2021
Opening investment balance	\$ 13,826,743	\$ 13,739,343
Patronage refund	2,815,372	873,995
Share redemptions	<u>(2,252,297)</u>	<u>(786,595)</u>
Closing investment balance	<u>\$ 14,389,818</u>	<u>\$ 13,826,743</u>

(c) Asset retirement obligation

The Co-operative participates in a contaminated site management program established by FCL to manage its asset retirement obligations. This program limits the Co-operative's liability to \$25,000 per site as long as the Co-operative continues to exercise due diligence. The Co-operative has eleven sites under this program. Management believes that due diligence has been exercised. At year end, the Co-operative has accrued a liability in the amount of \$184,930 (2021 - \$173,005). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$11,925 (2021 - \$nil).

(d) Purchase commitments

(i) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from FCL for its gas bar and cardlock operations over a ten year period commencing from September 2013. Failure to meet this commitment would require the Co-operative to immediately pay outstanding gas bar and cardlock loan balances owed to FCL, plus repay any gas bar and cardlock grants received, including interest on the grants compounded annually at 10% from the grant date. Total grants received during this period amounted to approximately \$1,363,245 (2021 - \$1,479,198). Management intends to fulfill all existing contracts with FCL.

(ii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from the FCL corporate bulk plant over a ten year period commencing from June 2013. Failure to meet this commitment would require the Co-operative to pay a portion of the capital costs of the bulk plant to FCL determined by a formula based upon usage. Management intends to fulfill all existing contracts with FCL.

(iii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase at least 90% of its total goods from FCL and commits, to the best of its ability, to use FCL's services. If the eligibility requirements are met, FCL will pay the Co-operative, on a quarterly basis, a Loyalty Payment based on cents per litre. The Loyalty Payment revenue is accrued as earned.

(iv) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, from FCL and continue to operate a certain cardlock over a period of 20 years commencing from September 2018. Failure to meet this commitment would require the Co-operative to repay the assistance received on a prorated basis. Total assistance that would be repayable if commitments were not met without FCL approval as at January 31, 2022 amounted to \$978,083 (2021 - \$978,083). Management intends to fulfill all commitments with FCL.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2022

(v) Under the terms of the agreement with FCL, the Co-operative has committed to purchase food products from FCL and continue to operate a certain food store over a 30 year period commencing from February 2016. Failure to meet this commitment would require the Co-operative to repay the assistance received on a prorated basis. Total assistance that would be repayable if commitments were not met without FCL approval as at January 31, 2022 amounted to \$1,002,590 (2021 - \$1,002,590). Management intends to fulfill all commitments with FCL.

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of \$175,090 (2021 - \$75,000).

6. Long-term receivable

	Total	2022 Current Portion	2022 Deferred Portion	2021 Current Portion	2021 Deferred Portion
Ron's the Work Wear Store	\$ 72,290	\$ 10,150	\$ 62,140	\$ 9,686	\$ 71,917

The Co-operative has a long-term receivable from the disposal of a property in Carlyle, which is recoverable over 8 years. Interest on the balance is 6% per annum.

7. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2022 Book Value	2021 Book Value
Land	\$ 3,523,556	\$ -	\$ 3,523,556	\$ 3,080,694
Buildings	15,301,083	8,529,345	6,771,738	7,473,664
Parking lots	4,192,553	1,839,087	2,353,466	2,384,389
Tanks & fences	272,446	192,835	79,611	88,456
Furniture & equipment	13,036,488	10,314,962	2,721,526	3,366,866
Vehicles	1,444,315	1,060,505	383,810	322,774
Vehicle equipment	256,899	185,265	71,634	84,275
Asset retirement cost	145,518	97,279	48,239	61,283
Assets under construction	4,815,324	-	4,815,324	590,188
	<u>\$ 42,988,182</u>	<u>\$ 22,219,278</u>	<u>\$ 20,768,904</u>	<u>\$ 17,452,589</u>

Depreciation for the current year included in operating and administration expense was \$1,768,767 (2021 - \$1,972,113).



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2022

8. Intangible assets

	Original Cost	Accumulated Amortization	2022 Book Value	2021 Book Value
Liquor licenses	\$ 860,700	\$ -	\$ 860,700	\$ 484,700

Liquor licenses have an indefinite life and are not amortized.

9. Goodwill

The changes in the carrying amount of goodwill for the current year are as follows:

	2022	2021
Balance, beginning of year	\$ 117,500	\$ 117,500
Impairment losses	-	-
Balance, end of year	<u>\$ 117,500</u>	<u>\$ 117,500</u>

10. Line of credit

The Co-operative has a \$450,000 line of credit with Affinity Credit Union of which no amount has been drawn as at January 31, 2022 (2021 - \$nil). The line of credit is secured by a debenture for \$5,000,000 conveying a first ranking fixed and specific charge over all present and future property and assets. Interest on the line of credit is the prime rate (2.45%) (2021 - 2.45%).

The Co-operative has a letter of credit in the amount of \$20,000, bearing no interest, which is required as part of selling Western Canadian Lottery tickets.

11. Accounts payable and trust liabilities

	2022	2021
FCL payables	\$ 3,891,665	\$ 3,599,824
Other payables	2,408,633	1,145,923
Trust liabilities:		
Workers compensation board	10,740	10,127
Liquor consumption tax	29,630	26,121
Goods and services tax	-	4,006
Provincial sales tax	40,284	39,527
Payroll deductions	28,304	-
Federal fuel charge	252,506	159,133
	<u>\$ 6,661,762</u>	<u>\$ 4,984,661</u>



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2022

12. Share capital

Authorized, unlimited @ \$1	2022	2021
Balance, beginning of year	\$ 18,357,493	\$ 18,656,909
Allocation to members	2,767,204	1,399,846
Cash from new members	4,390	4,020
GST on allocation	49,847	81,386
Shares transferred from reserves	1,862	18,795
	<u>21,180,796</u>	<u>20,160,956</u>
General repayment	632,381	815,462
Shares transferred to reserves	3,656	6,511
Withdrawals and retirements	481,981	731,451
Withholding tax	122,225	250,039
	<u>1,240,243</u>	<u>1,803,463</u>
Balance, end of year	<u>\$ 19,940,553</u>	<u>\$ 18,357,493</u>

13. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2022	2021
Balance, beginning of year	\$ 4,509,862	\$ 19,166,246	\$ -	\$ 23,676,108	\$ 23,211,320
Net savings distributed to retained savings	-	-	4,138,004	4,138,004	1,876,918
Patronage allocation	-	-	(2,767,204)	(2,767,204)	(1,399,846)
Shares transferred	1,794	-	-	1,794	(12,284)
Reserve transfers	239,160	1,131,640	(1,370,800)	-	-
Balance, end of year	<u>\$ 4,750,816</u>	<u>\$ 20,297,886</u>	<u>\$ -</u>	<u>\$ 25,048,702</u>	<u>\$ 23,676,108</u>



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2022

14. Sales

	2022	2021
Food division	\$ 30,871,833	\$ 32,441,052
Agro centre	28,534,904	19,846,931
C-Stores	<u>26,685,343</u>	<u>20,547,860</u>
	<u><u>\$ 86,092,080</u></u>	<u><u>\$ 72,835,843</u></u>

All sales are to external customers and no single customer accounts for more than 10% of sales.

15. Government assistance

In response to the negative economic impact of COVID-19 the Government of Canada has announced the CEWS program in April 2020. CEWS provides wage subsidies on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, which for CEWS includes demonstration of revenue declines as a result of COVID-19.

The Co-operative has determined that it has qualified for the CEWS. The Co-operative has applied for and has received \$544,242 (2021 - \$nil) which has been reflected as a reduction to operating and administration expenses.

16. Net interest

	2022	2021
Interest expense	\$ 3,372	\$ 1,475
Interest revenue	<u>(241,317)</u>	<u>(201,413)</u>
	<u><u>\$ (237,945)</u></u>	<u><u>\$ (199,938)</u></u>

17. Pension plan

The Co-operative participates in a multi-employer defined contribution plan whereby the Co-operative and participating employees contribute equal amounts up to the maximum allowed under the Income Tax Act. The Co-operative has no unfunded liability under this plan. During the year, the Co-operative recorded \$294,945 (2021 - \$301,149) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2022

18. Income tax expense

The Co-operative accounts for income taxes using the taxes payable method. As a result, the Co-operative's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	2022	2021
Savings before income taxes	\$ 4,783,200	\$ 2,130,403
Expected income tax expenser at the combined tax rate of 27% (2021 - 27%) net of the general rate reduction	1,291,464	575,209
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(65,452)	5,123
Patronage allocation to members of \$2,767,204 (2021 - \$1,399,846)	(747,145)	(377,958)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	31,925	34,335
Allowance for doubtful accounts	42,482	(2,752)
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	-	(1,578)
Prior year tax adjustment	91,922	21,106
Income tax expense	\$ 645,196	\$ 253,485

19. Economic conditions

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Co-operative's operations were impacted by COVID-19 due to increased customer demand in some circumstances as well as supply chain disruptions. The impact of COVID-19 has been partially offset by available government programs for which the Co-operative was eligible. The future impact the COVID-19 outbreak may have on the Co-operative is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2022

20. Subsequent event

Patronage allocation to members

Subsequent to January 31, 2022 the Board of Directors approved a patronage allocation to members in the amount of \$2,767,204 (2021 - \$1,399,846).

21. Commitments

The Co-operative is committed to the completion of a new liquor store in Carlyle, Saskatchewan. The estimated total cost of the project is \$1,424,000 of which \$636,559 has been set up as assets under construction. This project will be financed from operations.

The Co-operative is committed to the completion of an agro site consisting of a fertilizer plant and chemical shed. The estimated total cost of the project is \$7,000,000 of which \$3,887,427 has been set up as assets under construction. This project will be financed from operations.



Southern Plains Co-operative Limited
Unaudited Statistical Information
For the Year Ended January 31, 2022

Record of Sales and Net Savings

	<u>Year</u>	<u>Repayment to Members</u>	<u>Sales</u>	<u>Net Savings</u>	<u>%</u>
From Date of Incorporation, April 10, 1946, to January 31,	2013	\$ 13,446,223	\$ 994,289,706	\$ 39,453,075 ^(A)	4.0
	2014	1,223,417	77,456,553	4,835,669	6.2
	2015	1,399,534	77,623,106	3,256,726	4.2
	2016	1,240,049	64,514,704	2,486,894	3.9
	2017	1,121,790	65,579,526	2,197,860	3.4
	2018	1,356,043	73,020,535	2,688,198	3.6
	2019	1,334,974	79,509,587	4,562,031	5.7
	2020	1,741,045	79,446,680	3,512,989	4.4
	2021	1,796,952	72,835,843	1,876,918	2.7
	2022	1,236,587	86,092,080	4,138,004	4.9
		<u>\$ 25,896,614</u>	<u>\$ 1,670,368,320</u>	<u>\$ 69,008,364</u>	<u>4.1</u>

^(A) Includes impairment losses of \$1,130,015.

Membership

Members purchasing during the year	10,796
Inactive members	<u>2,754</u>
Total members	<u>13,550</u>



Southern Plains Co-operative Limited
Schedule of Operating and Administration Expenses
For the Year Ended January 31, 2022

	2022	%	2021	%
	(Unaudited)		(Unaudited)	
Depreciation	1,768,767		1,972,113	
Accretion	11,925		-	
Fuel, power & water	530,880		667,299	
Insurance	134,974		124,552	
Repairs and maintenance	1,318,504		1,253,943	
Taxes and licenses	261,741		311,974	
Throughput charge	48,540		55,500	
STANDBY COSTS	4,075,331	4.7	4,385,381	6.0
Employee Benefits	1,000,576		991,434	
Moving, Recruitment and Training	90,717		52,164	
Salaries and Wages	7,044,843		6,674,939	
Uniforms and Laundry	33,669		26,357	
Staff Discounts	48,330		49,622	
STAFF COSTS	8,218,135	9.5	7,794,516	10.7
Advertising	294,969		253,148	
Communications	101,550		99,746	
Collections	408,595		339,129	
Delivery - Vehicles	279,640		193,776	
- Other	25		-	
Occupational health and safety	-		588	
Directors and Annual Meeting	61,718		55,985	
Exchange and bank charges	15,846		14,290	
Rent	3,966		3,966	
Legal, audit and professional	78,320		64,388	
Data processing	492		641	
Loss on disposal of PP&E	79		3,438	
Member relations	137,151		95,481	
Stocktaking	23,430		22,346	
Supplies	398,109		405,084	
Car wash supplies	31,848		22,018	
Till differences	1,269		578	
Warranty service	9,428		14,068	
Travelling and business meals	25,197		29,091	
Recovery	(417,579)		(368,152)	
Miscellaneous	4,534		(10,894)	
Bad debts	161,053		69,744	
Net interest (Note 16)	(237,945)		(199,938)	
CEWS	(544,242)		-	
OTHER COSTS	837,453	1.0	1,108,521	1.5
TOTAL EXPENSES	13,130,919	15.2	13,288,418	18.2



MEMBER ENGAGEMENT COMMITTEE REPORT

2022 ANNUAL MEETING

The Member Engagement Committee of the Southern Plains Co-operative Ltd. for the year 2021 consisted of board members Scott Kienlen, Darcy Calder, Rhonda Huish, Francis Boutin as well as senior management staff Carol McKay and Brian Enns. The goal of the Member Engagement Committee is to promote the Southern Plains Co-operative to our members and non-members as we strive towards community involvement and service. We look to support the causes that matter to the people in the communities in which we operate. This may be through sponsorship, a donation of money or merchandise, or teaming-up with organizations in their fund-raising efforts. The success of many events can be attributed to the Branding Committee who are dedicated in finding creative ways to connect and give back to our members. A great example is their "Pay It Forward Friday" which began in 2020 as a way to acknowledge and thank essential workers during the pandemic and has continued as weekly draws. The Southern Plains Co-op Kid's Club and Smile Toys are fun ways to engage with the youngsters. And, "Cooper" the Mascot was back making public appearances this year.

In 2021, The Southern Plains Co-op invested \$137,151 into the communities we serve through donations and member engagement activities. Our community giving highlights include:

- Co-op "Fuel Good" Day raised a total of \$5,981 which supported the Southeast Regional Victim Services in Carlyle, Bow Valley Villa in Oxbow and the Disability Advocacy in Estevan.
- The Blow Away Hunger campaign raised \$9,886 for the communities of Estevan, Oxbow and Carlyle.
- Donations to Youth programs include: Estevan Youth Curling, Estevan Minor Ball, Carlyle Minor Ball, Oxbow Skating Club, Alameda School Hot Lunch Program, Oxbow Child Care, Kenosee Bible Camp and the Carlyle Swimming Pool.
- Other notable donations include The United Way, The Festival of Lights, The Southeast Military Museum, Manor Fun Days, Estevan Hospital Foundation, Galloway Health Centre and Moose Creek Golf Course.

In the wake of the pandemic, it was great to see the rejuvenation of in-person activities such as parades, BBQ's and of course the ever-popular Trail of Terror which had an estimated attendance of over 1500 people this year. We are proud of the efforts of management and staff who often volunteer their time at various events.

Respectively Submitted by: Rhonda Huish - Member Engagement Committee chair

Existing Bylaw:

Approval of Membership:

3.02 No person may become a member of the Co-operative unless that person has submitted a written application for membership, and until the said application has been approved by the Board.

Share purchase Requirements

3.03 Members and applicants for membership are required, as a condition of membership, to subscribe for (10) \$1.00 Common shares in the Co-operative.

All (10) \$1.00 Common shares must be paid for in cash at the time of application.

Proposed Bylaw Replacement:

Approval of Membership

3.02 A person may become a member of the Co-operative by:

- i) Submitting a written application for membership or,
- ii) Completing an online membership application, utilizing a check box consent for signature and submitted via Southern Plains Co-op website,
- iii) and the said application has been approved by the Board of Directors.

Share Purchase Requirements.

3.03 Members and applicants for membership are required, as a condition of membership, to subscribe for (10) \$1.00 Common shares in the Co-operative. All (10) \$1.00 Common shares must be transacted at the time of application for membership.

