



ANNUAL REPORT 2019

**Sherwood Co-operative
Association Limited**

Management's Responsibility

To the Members of Sherwood Co-operative Association Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for private enterprises. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Co-operative. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Board is also responsible for recommending the appointment of the Co-operative's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 29, 2019



Chief Executive Officer

Independent Auditor's Report

To the Members of Sherwood Co-operative Association Limited:

Opinion

We have audited the financial statements of Sherwood Co-operative Association Limited (the "Co-operative"), which comprise the balance sheet as at January 31, 2019, and the statements of net savings, 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, 2019, 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 have been applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan

April 29, 2019

MNP LLP
Chartered Professional Accountants

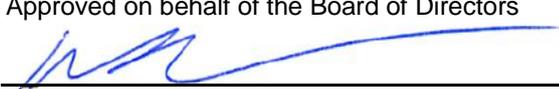
Sherwood Co-operative Association Limited
Balance Sheet
As at January 31, 2019

	2019	2018
Current assets		
Cash and cash equivalents	\$ 278,173	\$ 95,058
Accounts receivable	3,763,798	4,171,002
- Customer (Note 5)	194,566	1,042,415
- Other	247,676	321,574
Income taxes recoverable	11,749,955	11,185,318
Inventories	193,528	188,126
Prepaid expenses	26,000	26,000
Current portion long-term receivable (Note 6)	<u>16,453,696</u>	<u>17,029,493</u>
Long-term receivable (Note 6)	330,500	356,500
Investments		
Federated Co-operatives Limited (Note 4(a))	33,100,866	29,116,316
Other organizations	1,052	1,148
Property, plant and equipment (Note 7)	<u>78,503,137</u>	<u>70,645,711</u>
Total assets	<u><u>\$ 128,389,251</u></u>	<u><u>\$ 117,149,168</u></u>
Current liabilities		
Line of credit (Note 8)	\$ -	\$ 108,349
Accounts payable and trust liabilities (Note 9)	17,803,820	18,194,004
Customer prepaid accounts	212,040	173,129
Current portion of long-term debt (Note 10)	<u>1,365,830</u>	<u>1,536,967</u>
	19,381,690	20,012,449
Long-term debt (Note 10)	<u>2,654,000</u>	<u>1,365,831</u>
Total liabilities	<u><u>22,035,690</u></u>	<u><u>21,378,280</u></u>
Members' equity		
Share capital (Note 11)	47,559,327	43,993,460
Reserves and retained savings (Note 12)	<u>58,794,234</u>	<u>51,777,428</u>
	106,353,561	95,770,888
Total liabilities and members' equity	<u><u>\$ 128,389,251</u></u>	<u><u>\$ 117,149,168</u></u>

Subsequent event (Note 18)

Commitments (Note 19)

Approved on behalf of the Board of Directors



 Director



 Director

The accompanying notes are an integral part of these financial statements



Sherwood Co-operative Association Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended January 31, 2019

	2019	%	2018	%
Sales (Note 13)	\$ 264,289,124	100.0	\$ 242,012,500	100.0
Cost of goods sold	<u>224,548,900</u>	<u>85.0</u>	<u>202,451,085</u>	<u>83.7</u>
Gross margin	<u>39,740,224</u>	<u>15.0</u>	<u>39,561,415</u>	<u>16.3</u>
Expenses				
Operating and administration	42,673,656	16.1	39,486,455	16.3
Net interest (Note 14)	<u>(77,302)</u>	<u>-</u>	<u>(496,925)</u>	<u>(0.2)</u>
	<u>42,596,354</u>	<u>16.1</u>	<u>38,989,530</u>	<u>16.1</u>
Savings (loss) from operations	(2,856,130)	(1.1)	571,885	0.2
Patronage refunds	<u>19,922,751</u>	<u>7.5</u>	<u>9,476,449</u>	<u>3.9</u>
Savings before income taxes	17,066,621	6.4	10,048,334	4.1
Income taxes (Note 17)	<u>2,738,587</u>	<u>1.0</u>	<u>1,333,237</u>	<u>0.6</u>
Net savings	<u>\$ 14,328,034</u>	<u>5.4</u>	<u>\$ 8,715,097</u>	<u>3.5</u>
Retained savings, beginning of year	\$ -		\$ -	
Net savings	14,328,034		8,715,097	
Transfer to statutory reserve (Note 12)	(853,331)		(515,715)	
Transfer to general reserve (Note 12)	(6,050,630)		(2,894,438)	
Patronage allocation to members (Note 11)	<u>(7,424,073)</u>		<u>(5,304,944)</u>	
Retained savings, end of year (Note 12)	<u>\$ -</u>		<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements



Sherwood Co-operative Association Limited

Statement of Cash Flows For the Year Ended January 31, 2019

	2019	2018
Operating activities		
Net savings	\$ 14,328,034	\$ 8,715,097
Adjustments for:		
Depreciation	5,051,890	3,948,844
FCL patronage refund	(19,922,751)	(9,476,449)
Loss (gain) on the disposal of property, plant and equipment	54,463	(19,260)
Changes in non-cash operating working capital:		
Accounts receivable	1,255,053	(484,997)
Income taxes recoverable	73,898	(296,030)
Inventories	(564,637)	(482,160)
Prepaid expenses	(5,402)	(5,549)
Long-term receivables	26,000	26,000
Accounts payable and trust liabilities	(390,184)	4,040,734
Customer prepaid accounts	38,911	(57,998)
Cash (used for) provided by operating activities	<u>(54,725)</u>	<u>5,908,232</u>
Investing activities		
Redemption of FCL shares	15,938,201	8,528,804
Additions to property, plant and equipment	(13,280,867)	(28,952,351)
Proceeds from the disposal of property, plant and equipment	317,088	42,498
Investment in other organizations	96	106
Cash provided by (used for) investing activities	<u>2,974,518</u>	<u>(20,380,943)</u>
Financing activities		
Repayment of line of credit	(108,349)	(6,594)
Increase in long-term debt	2,780,748	4,097,491
Repayment of long-term debt	(1,663,716)	(1,599,060)
Share capital issued	20,925	18,570
GST on allocation	198,210	197,926
Redemption of share capital	(3,964,496)	(4,232,922)
Cash used for financing activities	<u>(2,736,678)</u>	<u>(1,524,589)</u>
Net increase (decrease) in cash and cash equivalents	183,115	(15,997,300)
Cash and cash equivalents, beginning of year	95,058	16,092,358
Cash and cash equivalents, end of year	<u>\$ 278,173</u>	<u>\$ 95,058</u>

The accompanying notes are an integral part of these financial statements



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

1. Incorporation and operations

Sherwood Co-operative Association Limited ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on April 8, 1931. The primary business of the Co-operative is operating retail food, home centre and petroleum outlets in Regina, Saskatchewan and area.

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, income taxes, 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).



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

(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:

Pavement	Declining balance	8%
Buildings	Straight-line & declining balance	4%-10% of original cost & 10%
Tanks	Declining balance	10%
Furniture & equipment	Straight-line & declining balance	30% of original cost & 20% - 100%
Vehicles	Declining balance	30%
Vehicle equipment	Declining balance	15%
P.O.S. equipment	Straight-line	20% of original cost
Leasehold improvements	Straight-line	5% - 20% of original cost

In the year of acquisition, depreciation is prorated over the period of use.

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.

Petroleum assets built in connection with an FCL Petroleum Purchase Agreement, along with any corresponding liability, are recorded by the Co-operative upon commissioning of the assets, as FCL retains ownership of the assets until the project is commissioned. Accordingly, any grants and debt financing provided by FCL are recorded at the project commissioning date.

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.



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

(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.

(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 substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

(k) Business combinations

Business combinations are accounted for using the acquisition method. The application of this method requires certain estimates and assumptions especially concerning the determination of the fair value of the acquired intangible assets, property, plant and equipment, as well as the liabilities assumed at the date of the acquisition, based on information available at that date.

At the acquisition date, the Co-operative recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the subsidiary. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. Any non-controlling interest in a subsidiary is measured either at fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

The consideration transferred for each acquisition is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred, and equity instruments issued by the Co-operative to obtain control of the subsidiary.



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

3. Financial instruments and risk management

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

(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 debt. The Co-operative manages its exposure to interest rate risk through floating rate deposits and borrowings.

(c) Liquidity risk

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting obligations associated with financial liabilities. The Co-operative is exposed to liquidity risk arising primarily from long-term debt. The Co-operative's ability to meet obligations depends on funds generated by its operations.

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

(a) 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, 2018, the Co-operative purchased goods amounting to \$182,312,410 (2017 - \$153,472,620) 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:

	2019	2018
Opening investment balance	\$ 29,116,316	\$ 28,168,671
Patronage refund	19,922,751	9,476,449
Share redemptions	<u>(15,938,201)</u>	<u>(8,528,804)</u>
Closing investment balance	<u>\$ 33,100,866</u>	<u>\$ 29,116,316</u>



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

(b) 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 16 sites under this program. Management believes that due diligence has been exercised and that the impact of the asset retirement obligation to the Co-operative's financial statements is not significant.

(c) 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 June 2018. 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 the ten-year period ending January 31, 2019 amounted to approximately \$17,277,468 (2018 - \$13,667,647). 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 March 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 all food, pharmacy, and food-related products, from FCL and continue to operate all food stores acquired through the Sobeys' acquisition over a thirty year period commencing from June 2018. Failure to meet this commitment would require the Co-operative to repay the assistance received on a prorated basis. Management intends to fulfill all commitments with FCL.

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of \$742,000 (2018 - \$215,000).



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

6. Long-term receivable

	Total	2019 Current Portion	2019 Deferred Portion	2018 Current Portion	2018 Deferred Portion
Relocation receivable	\$ 356,500	\$ 26,000	\$ 330,500	\$ 26,000	\$ 356,500

The relocation receivable is interest free and repayable at \$1,000 bi-weekly for ten years at which time the remaining balance is receivable.

Although the relocation receivable is of a demand nature, management does not intend to exercise the demand feature. The schedule of repayments on the relocation loan for the next five years and thereafter are as follows:

2020	\$ 26,000
2021	26,000
2022	26,000
2023	26,000
2024	26,000
Subsequent payments	<u>226,500</u>
	<u>\$ 356,500</u>

7. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2019 Book Value	2018 Book Value
Land	\$ 20,633,362	\$ -	\$ 20,633,362	\$ 16,254,384
Pavement	7,725,968	2,141,100	5,584,868	4,340,362
Buildings	34,472,175	9,165,204	25,306,971	20,975,313
Tanks	42,474	39,644	2,830	3,145
Furniture & equipment	25,821,062	15,811,296	10,009,766	6,985,274
Vehicles	1,189,461	969,821	219,640	265,099
Vehicle equipment	776,676	466,996	309,680	364,329
P.O.S. equipment	1,022,447	594,192	428,255	297,856
Leasehold improvements	3,693,967	2,650,667	1,043,300	1,285,996
Under construction	14,964,465	-	14,964,465	19,873,953
	<u>\$ 110,342,057</u>	<u>\$ 31,838,920</u>	<u>\$ 78,503,137</u>	<u>\$ 70,645,711</u>

Depreciation for the current year included in operating and administration expense was \$5,051,890 (2018 - \$3,948,844).



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

8. Line of credit

The Co-operative has a \$435,000 line of credit with Conexus Credit Union of which no amount has been drawn as at January 31, 2019 (2018 - \$108,349). The line of credit is secured by a promissory note and a General Security Agreement covering all present and after acquired property. Interest on the line of credit is prime plus 2.0%.

9. Accounts payable and trust liabilities

	2019	2018
FCL payables	\$ 12,246,155	\$ 13,417,593
Other payables	5,374,145	4,590,276
Trust liabilities:		
Provincial sales tax	163,177	160,179
Workers Compensation Board	17,766	23,340
Liquor consumption tax	2,577	2,616
	<u>\$ 17,803,820</u>	<u>\$ 18,194,004</u>

10. Long-term debt

		2019	2019	2018	2018
	Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion
FCL ⁽¹⁾	\$ -	\$ -	\$ -	\$ 171,137	\$ -
FCL ⁽²⁾	1,356,801	1,356,801	-	1,356,801	1,356,802
FCL ⁽³⁾	9,029	9,029	-	9,029	9,029
FCL LOC ^{(4),(5)}	2,654,000	-	2,654,000	-	-
	<u>\$ 4,019,830</u>	<u>\$ 1,365,830</u>	<u>\$ 2,654,000</u>	<u>\$ 1,536,967</u>	<u>\$ 1,365,831</u>

⁽¹⁾ Federated Co-operatives Limited cardlock loan bears no interest and is repayable at \$171,137 per year. The remaining balance was paid in 2019. Security for this loan is a first security interest in the equipment purchased with a net book value of \$121,389 in 2018.

⁽²⁾ Federated Co-operatives Limited gas bar upgrade loan bears no interest and is repayable at \$1,356,801 per year, with the remaining balance due in 2020. Security for this loan is a first security interest in the equipment purchased with a net book value of \$1,721,913 (2018 - \$1,991,164).

⁽³⁾ Federated Co-operatives Limited gas bar upgrade loan bears no interest and is repayable at \$9,029 per year, with the remaining balance due in 2020. Security for this loan is a first security interest in the equipment purchased with a net book value of \$866,627 (2018 - \$1,083,284).



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

^{(4),(5)} Lines of credit, bearing interest at prime rate (2019 - 3.95%), repayable via an annual reduction in available credit, mature on August 31, 2027 and December 31, 2025. The loans are subject to certain non-financial covenants. The Co-operative believes it is in compliance with these covenants as at year-end and have been in compliance since the loan start date. Security for the credits consist of a Business Security Agreement and a General Security Agreement. The available credits decrease as follows:

September 1, 2018 - August 31, 2019	\$ 16,290,000
September 1, 2019 - August 31, 2020	14,480,000
September 1, 2020 - August 31, 2021	12,670,000
September 1, 2021 - August 31, 2022	10,860,000
September 1, 2022 - August 31, 2023	9,050,000
September 1, 2023 - August 31, 2024	7,240,000
September 1, 2024 - August 31, 2025	5,430,000
September 1, 2025 - August 31, 2026	3,620,000
September 1, 2026 - August 31, 2027	1,810,000
December 3, 2018 - December 31, 2019	\$ 10,600,000
January 1, 2020 - December 31, 2020	9,085,714
January 1, 2021 - December 31, 2021	7,571,429
January 1, 2022 - December 31, 2022	6,057,143
January 1, 2023 - December 31, 2023	4,542,857
January 1, 2024 - December 31, 2024	3,028,571
January 1, 2025 - December 31, 2025	1,514,286

The scheduled principal repayments on the long-term debt for the next five years and subsequent are as follows:

2020	\$ 1,365,830
2021	-
2022	-
2023	-
2024	-
2025 and subsequent	<u>2,654,000</u>
	<u><u>\$ 4,019,830</u></u>



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

11. Share capital

Authorized, unlimited @ \$1	2019	2018
Balance, beginning of year	\$ 43,993,460	\$ 42,799,213
Allocation to members	7,424,073	5,304,944
Cash from new members	20,925	18,570
GST on allocation	198,210	197,926
Shares transferred from reserves	17,830	23,141
	<u>51,654,498</u>	<u>48,343,794</u>
General repayment	1,982,493	2,337,046
Shares transferred to reserves	130,675	117,412
Withdrawals and retirements	1,615,661	1,492,219
Withholding tax	366,342	403,657
	<u>4,095,171</u>	<u>4,350,334</u>
Balance, end of year	<u>\$ 47,559,327</u>	<u>\$ 43,993,460</u>

12. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2019	2018
Balance, beginning of year	\$ 9,205,883	\$ 42,571,545	\$ -	\$ 51,777,428	\$ 48,273,004
Net savings distributed to retained savings	-	-	14,328,034	14,328,034	8,715,097
Patronage allocation	-	-	(7,424,073)	(7,424,073)	(5,304,944)
Shares transferred	112,845	-	-	112,845	94,271
Reserve transfers	<u>853,331</u>	<u>6,050,630</u>	<u>(6,903,961)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 10,172,059</u>	<u>\$ 48,622,175</u>	<u>\$ -</u>	<u>\$ 58,794,234</u>	<u>\$ 51,777,428</u>



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

13. Sales

	2019	2018
Marketplace food stores	\$ 53,604,090	\$ 55,757,616
Petroleum operations	144,741,815	123,879,111
Home centre	10,176,817	11,191,787
Branches	<u>55,766,402</u>	<u>51,183,986</u>
	<u>\$ 264,289,124</u>	<u>\$ 242,012,500</u>

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

14. Net interest

	2019	2018
Interest expense on		
- Short-term debt	\$ 2,100	\$ 2,218
- Long-term debt	202,275	-
Interest revenue	<u>(281,677)</u>	<u>(499,143)</u>
	<u>\$ (77,302)</u>	<u>\$ (496,925)</u>

15. Lease to others

The Co-operative leases property, plant and equipment to others. The leases are classified as operating leases and rental revenues are included in operating and administration expenses. The cost of the property, plant and equipment held for leasing purposes is \$2,933,908 (2018 - \$2,886,482) and the accumulated depreciation as at January 31, 2019 is \$1,233,153 (2018 - \$1,127,622). Revenue generated from operating leases is \$343,072 (2018 - \$343,072).

16. 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 \$761,318 (2018 - \$748,268) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

17. Income taxes

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:

	2019	2018
Savings before income taxes	\$ 17,066,621	\$ 10,048,334
Expected income tax expense at the combined tax rate of 27.0% (2018 - 26.7%) net of the general rate reduction	4,607,988	2,682,905
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	80,294	12,698
Patronage allocation to members of \$7,424,073 (2018 - \$5,304,944)	(2,004,500)	(1,416,420)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	66,399	79,543
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(9,459)	(8,905)
Prior year tax adjustment	<u>(2,135)</u>	<u>(16,584)</u>
Income tax expense	<u>\$ 2,738,587</u>	<u>\$ 1,333,237</u>

18. Subsequent event

Patronage allocation to members

Subsequent to January 31, 2019 the Board of Directors approved a patronage allocation to members in the amount of \$7,424,073 (2018 - \$5,304,944).

19. Commitments

The Co-operative is committed to the completion of one new food stores, renovation of a food store, a new hybrid site, and new convenience store/gas bar/ car wash. The estimated total cost of the projects is \$33,226,813 of which \$14,964,465 has been set up as construction in progress. These projects will be financed from operations and loans.



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2019

20. Operating leases

The Co-operative is committed to operating leases. Total minimum lease payments are as follows:

2020	\$	561,983
2021		592,583
2022		624,250
2023		624,250
2024		624,250
Subsequent payments		<u>572,226</u>
	<u>\$</u>	<u>3,599,542</u>

21. Comparative figures

Certain comparative figures have been reclassified to conform to current year financial statement presentation. This did not affect prior year earnings.



Sherwood Co-operative Association Limited
Statistical Information
For the Year Ended January 31, 2019

Record of Sales and Net Savings

	<u>Year</u>	<u>Cash payments to members</u>	<u>Sales</u>	<u>Savings before income taxes</u>	<u>%</u>
From Date of Incorporation, April 8, 1931, to January 31,	2009	*	\$ 1,930,585,391	\$ 53,830,335	3.0
	2010	2,222,595	125,601,428	5,821,507	4.6
	2011	1,829,020	142,224,566	5,711,691	4.0
	2012	1,754,557	175,407,341	10,374,775	5.9
	2013	2,661,844	192,032,113	12,596,230	6.6
	2014	3,558,302	208,426,886	12,856,169	6.2
	2015	4,078,867	234,652,633	10,391,423	4.4
	2016	3,704,201	213,173,475	10,377,892	4.9
	2017	4,048,080	228,335,978	11,163,943	4.9
	2018	4,232,922	242,012,500	10,048,334	4.1
	2019	3,964,496	264,289,124	17,066,621	6.4
		<u>\$ 32,054,884</u>	<u>\$ 3,956,741,435</u>	<u>\$ 160,238,920</u>	<u>4.0</u>

* Cash payments to members represent only the most recent ten year history

Membership

Members purchasing during the year	65,573
Inactive members	<u>11,629</u>
Total members	<u>77,202</u>



