



ANNUAL REPORT 2024

Southern Plains Co-operative Limited

SOUTHERN PLAINS CO-OPERATIVE LIMITED
77th ANNUAL MEETING
TUESDAY MAY 28, 2024 7:00 PM

1. Call to Order
2. Adoption of Agenda
3. Minutes of the 76th 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. Member Engagement Committee
 - g. Appointment of Auditors
 - h. FCL Director Report Robert Grimsrud
7. Question Period
8. Member Attendance
9. New Business
10. Resolutions
11. Adjournment

**SOUTHERN PLAINS CO-OPERATIVE LIMITED
MINUTES OF THE 76th ANNUAL MEETING
HELD TUESDAY MAY 30, 2023
ROYAL CANADIAN LEGION, SMALL HALL, ESTEVAN, SK**

1. Call to Order

The meeting was called to order by Chair Scott Kienlen at 7:01pm.

2. Adoption of Agenda

Chair Kienlen presented the agenda of the 76th Annual Meeting

Upon Motion duly proposed by Richard Ruetz, seconded by Connie Hagel and carried, it was resolved that the Agenda be approved.

3. Minutes of the 75th Annual Meeting

Chair Kienlen called on James Lainton, secretary for the Board, to read the minutes of the 75th Annual Meeting.

Upon Motion duly proposed by James Lainton, seconded by Linda Thauberger-Smith, and carried, it was resolved that the minutes be adopted as presented.

4. Introduction of the Board of Directors

Chair Kienlen introduced the Board of Directors.

5. Business Arising from the Minutes - None

6. Reports

Nomination Committee

Francis Boutin of the Nomination Committee gave the committee report. Three positions are open for election for a three-year term. (Thauberger-Smith; Hewitt and Ruetz) Ruetz will be resigning as of this meeting date.

The Candidates were presented by the Nominating Committee:

1. Linda Thauberger-Smith
2. Lynn Hewitt
3. Marcia Greenwood

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

Upon Motion duly proposed by Charlotte Halabuza, seconded by Stephanie Nadeau, and carried, it was resolved to accept Linda Thauberger-Smith, Lynn Hewitt and Marcia Greenwood as directors by acclamation.

Board of Directors

Scott Kienlen, President of the Board, presented the Board of Director's report.

General Manager

Chair Kienlen called on Brian Enns, General Manager, to give his report.

Finance, Audit and Risk Committee

Chair Kienlen called on Richard Ruetz to give the Finance, Audit and Risk Committee Report

Auditors Report and Financial Statement

Chair Kienlen called on Amber Freitag, Office Manager, to present the Auditors Report and Financial Statement.

Member Engagement Committee

Chair Kienlen called on Rhonda Huish to give the Member Engagement Committee report.

Upon Motion duly proposed by Linda Thauberger-Smith seconded by Francis Boutin, and carried, it was resolved that the above reports be adopted as presented.

Appointment of Auditors

Upon Motion duly proposed by Connie Hagel, seconded by Darcy Wright, and carried, it was resolved that the external auditors for Southern Plains Co-operative Limited be MNP LLP.

7. Question Period

A question-and-answer period was held.

8. Member Attendance

Chair Kienlen read the attendance of the meeting. There were 33 members and 1 visitor.

9. New Business

Bylaw Changes

Upon Motion duly proposed by Linda Thauberger-Smith, seconded by Darcy Wright and carried, it was resolved that the following Bylaws be approved:

10. Resolutions

11. Adjournment – 7:57 PM

Signed and Sealed this _____ Day of _____, 2024

President

Secretary

2023 Board Meeting Attendance Summary			
Name	Regular Meeting	Special Meeting	Term Expires
Frances Boutin	9	1	2024
Scott Keinlen	11	2	2024
David Murray	10	2	2024
Connie Hagel	11	2	2025
Rhonda Huish	11	2	2025
James Lainton	9	1	2025
Marcia Greenwood	5	1	2026
Lynne Hewitt	8	2	2026
Linda Thauberger-Smith	9	2	2026

Total Regular Meetings 11
 Total Special Meetings 2

BOARD OF DIRECTORS REPORT 2023 ANNUAL MEETING

I am pleased to report to you on behalf of the Southern Plains Co-op Board of Directors. This is the 77th 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, 2024, our sales were \$108,846,789.... down \$2.5 million from last year's record for the association. The FCL fuel loyalty payment and patronage allocation for other goods totaled \$4,897,439. After receiving the above and allowing for a deduction for income taxes payable, our net savings were \$3,572,887. In total, we paid \$1,502,023 back to our members in cash for 2023.

As noted above, our sales dipped \$2.5 million as compared to the previous year. This can be attributed to deflation in fuel and crop inputs of fertilizer and chemical. Overall food sales held steady with a good increase in Carlyle. C-stores sales were down. Fuel liters for our association struggled to meet last year. Home building supplies were down slightly. There was strong year-over-year increases at our liquor outlets. This being said, our financial position remains strong. 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 225 staff an increase over last year which reflects the steadiness and prosperity of our association. In late fall of 2023 construction began on a new food store at our Carlyle location. This project is on budget and schedule to open in very late fall 2024. The relocation of our administrative department took place over this winter - moving to the former agro location on Kensington Avenue in Estevan.

Partnership with our neighboring co-ops continues as a principal in our organization to assist when opportunities arise. A sample of services are shared delivery of fuel, agro sales and supplies, providing administrative support, health and safety services and shared bulk oil delivery.

Contributing to our local communities with donations and sponsoring fund raisers for local events and projects in our communities we serve is at our core with over \$201,000 in donations in 2023. Our member relations committee report will speak more specifically about this.

Thank you to our general manager, Brian Enns, for all his efforts this past year. The board recognizes all our management and staff for their dedication; our employees do offer the uppermost level of service. These efforts results in Southern Plains Coop achieving the accomplishments we do.

Without the support of our members and customers, Southern Plains Coop would not be where we are at today, so thank for your continued support last year and in the future. We owe our success to you, who purchase our products and services every day by putting Coop first. 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 are proud of our people and facilities that are in place to serve you at our locations in the south-east. It is a priority for the board to constantly seek further opportunities for growth in keeping our coop strong.

Scott Kienlen, President of the Board

FINANCE AND RISK COMMITTEE REPORT
2023 Annual Meeting

Good evening, everyone. In 2023 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.

1. Assess the effectiveness of the risk management process in the identification, prioritization, management and monitoring of risk.
2. Assess the effectiveness of controls to mitigate risks including the safeguarding of assets and compliance with monitoring of risks.
3. Discuss with management, external and internal auditors the risk of fraud and how the risk is mitigated
4. Enquire as to whether any ethics hotline or whistle blower concerns were raised by staff or others and the resolution of such concerns.
5. Review and recommend an annual operating budget and annual capital budget consistent with the long-range priorities, financial plan and financial policies.
6. Monitor financial performance against budget, industry and co-op benchmarks and review major differences with management.
7. Review and recommend authority limits for management on such items as fixed asset purchases, major repairs and interest write-offs.
8. Review and recommend changes to credit, fixed asset (request for expenditures), accounts receivable and equity management policies
9. Review and approve recommended account write-offs.
10. Review year end financial results and recommend patronage allocation rates.
11. Review and recommend general cash repayment.
12. Review and recommend pay-out of equities in accordance with the co-operative's policy.
13. Review, recommend and approve sale and purchase of fixed assets outside of management authority limits.
14. Consider and recommend any other financial policies that maintain and improve the financial health of the co-operative.
15. Review the financial aspects of major proposed transactions and new services as well as proposals to discontinue services and make recommendations to the board.

Throughout 2023 the noted responsibilities of the FINANCE AND RISK COMMITTEE were carried out by the Board of Directors as a whole.

In 2023, 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 1.0% on Argo equipment, fertilizer and chemical, 1.0% on feed, 3.0% on food purchases, 1.0% on general merchandise, 4.0% on dyed diesel fuel, 3.25% on petroleum purchases, 3.0% on Spirits and 5.0% on oil.

In total, we paid \$1,502,023 back to our members 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 2024 fiscal year.

Respectfully submitted

Marcia Greenwood – Committee representative.

Management's Responsibility

To the Members of Southern Plains Co-operative 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. 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.

May 16, 2024


General Manager



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, 2024, 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, 2024, 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.

Weyburn, Saskatchewan

May 16, 2024

MNP LLP

Chartered Professional Accountants

Southern Plains Co-operative Limited

Balance Sheet

As at January 31, 2024

	2024	2023
Current assets		
Cash	\$ 3,192,544	\$ 429,177
FCL special deposit (Note 4(a))	5,638,625	757,261
Accounts receivable (Note 5)	2,755,040	4,322,467
Income taxes recoverable	419,458	737,931
Inventories (Note 6)	10,602,040	8,891,612
Prepaid expenses	384,829	429,460
Current portion long-term receivable (Note 7)	10,810	10,774
	23,003,346	15,578,682
 Long-term receivable (Note 7)	 39,957	 50,607
 Investments		
Federated Co-operatives Limited (Note 4(b))	15,610,959	14,955,991
Other organizations	126	126
 Property, plant and equipment (Note 8)	 24,126,541	 23,838,708
Intangible assets (Note 9)	860,700	860,700
Goodwill	117,500	117,500
Total assets	\$ 63,759,129	\$ 55,402,314
 Current liabilities		
Accounts payable and trust liabilities (Note 11)	\$ 13,078,719	\$ 7,804,570
Customer prepaid accounts	1,383,297	186,020
	14,462,016	7,990,590
 Asset retirement obligation (Note 4(c))	 160,054	 192,027
Total liabilities	14,622,070	8,182,617
 Members' equity		
Share capital (Note 12)	21,102,296	20,064,359
Reserves and retained savings (Note 13)	28,034,763	27,155,338
	49,137,059	47,219,697
Total liabilities and members' equity	\$ 63,759,129	\$ 55,402,314

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



Southern Plains Co-operative Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended January 31, 2024

	2024	%	2023	%
Sales (Note 14)	\$ 108,846,790	100.0	\$ 111,288,997	100.0
Cost of goods sold	<u>94,669,699</u>	<u>87.0</u>	<u>96,628,608</u>	<u>86.8</u>
Gross margin	<u>14,177,091</u>	<u>13.0</u>	<u>14,660,389</u>	<u>13.2</u>
Expenses				
Operating and administration	15,900,933	14.6	15,400,978	13.8
Net interest (Note 15)	<u>(399,243)</u>	<u>(0.4)</u>	<u>(282,799)</u>	<u>(0.3)</u>
	<u>15,501,690</u>	<u>14.2</u>	<u>15,118,179</u>	<u>13.5</u>
Loss from operations	(1,324,599)	(1.2)	(457,790)	(0.3)
FCL loyalty program (Note 4(d)(ii))	1,622,598	1.5	1,685,910	1.5
Patronage refunds (Note 4(b))	<u>3,274,841</u>	<u>3.0</u>	<u>2,830,957</u>	<u>2.5</u>
Savings before income taxes	3,572,840	3.3	4,059,077	3.7
Income tax expense (Note 17)	<u>227,958</u>	<u>0.2</u>	<u>72,561</u>	<u>0.1</u>
Net savings	<u>\$ 3,344,882</u>	<u>3.1</u>	<u>\$ 3,986,516</u>	<u>3.6</u>
Retained savings, beginning of year	\$ -		\$ -	
Net savings	3,344,882		3,986,516	
Transfer to statutory reserve (Note 13)	(178,642)		(202,954)	
Transfer to general reserve (Note 13)	(704,915)		(1,906,026)	
Patronage allocation to members (Note 12)	<u>(2,461,325)</u>		<u>(1,877,536)</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, 2024

	2024	2023
Operating activities		
Net savings	\$ 3,344,882	\$ 3,986,516
Adjustments for:		
Depreciation	2,227,988	2,219,857
Accretion	5,540	7,097
FCL patronage refund	(3,274,841)	(2,830,868)
Loss on the disposal of property, plant and equipment	8,010	31,589
Changes in non-cash operating working capital:		
Accounts receivable	1,567,427	(1,689,375)
Income taxes recoverable	318,473	(612,871)
Inventories	(1,710,428)	(3,892,974)
Prepaid expenses	44,631	(72,370)
Long-term receivables	10,614	10,909
Accounts payable and trust liabilities	5,274,149	1,142,808
Asset retirement obligation	(37,513)	-
Customer prepaid accounts	1,197,277	85,401
Cash provided by (used for) operating activities	<u>8,976,209</u>	<u>(1,614,281)</u>
Investing activities		
Redemption of FCL shares	2,619,873	2,264,695
Additions to property, plant and equipment	(2,524,243)	(5,336,250)
Proceeds from the disposal of property, plant and equipment	412	15,000
Investment in other organization	-	(69)
Cash provided by (used for) investing activities	<u>96,042</u>	<u>(3,056,624)</u>
Financing activities		
Share capital issued	5,527	6,055
GST on allocation	68,976	94,881
Redemption of share capital	(1,502,023)	(1,857,010)
Cash used for financing activities	<u>(1,427,520)</u>	<u>(1,756,074)</u>
Net increase (decrease) in cash	7,644,731	(6,426,979)
Cash, beginning of year	1,186,438	7,613,417
Cash, end of year	<u>\$ 8,831,169</u>	<u>\$ 1,186,438</u>
Cash is comprised of:		
Cash	\$ 3,192,544	\$ 429,177
FCL special deposit	5,638,625	757,261
	<u>\$ 8,831,169</u>	<u>\$ 1,186,438</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, 2024

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, liquor, 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, goodwill, intangible assets, 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

Cash is 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. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the most appropriate method for that particular inventory class.

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) Financial instruments

The Co-operative recognizes its financial instruments when the Co-operative becomes party to the contractual provisions of the financial instrument.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2024

(i) Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction are initially recorded at their fair value. At initial recognition, the Co-operative may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Co-operative has not made such an election during the year.

Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment, or adjustments for patronage refunds or share redemptions. All transactions with Federated Co-operatives Limited (FCL) are disclosed in a separate note (Note 4). All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

(ii) Financial asset impairment

The Co-operative assesses impairment of all its financial assets measured at cost or amortized cost. The Co-operative groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty, whether there has been a breach in contract, such as a default or delinquency in interest or principal payments, in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Co-operative determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

The Co-operative reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year net savings.

The Co-operative reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in net savings in the year the reversal occurs.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2024

(e) 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

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.

(f) 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.

(g) 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.

(h) 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 savings when earned by the Co-operative.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2024

(i) 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.

(j) 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.

(k) Intangible assets

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

Liquor licenses	Indefinite life
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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.

3. Financial instruments and risk management

The significant financial risks to which the Co-operative is exposed are credit risk, interest rate risk, liquidity risk, and commodity price 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. One customer accounts for 16.8% (2023 - two customers accounted for 25.3%) of the accounts receivable balance.

(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.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2024

(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 the current obligations. The Co-operative's ability to meet obligations depends on funds generated by its operations.

(d) Commodity price risk

The Co-operative enters into transactions to purchase crop production products, for which market prices fluctuate. The nature of the Co-operative's activities exposes it to risk of changes in commodity prices related to crop inputs that may occur between the time products are received from the supplier and actual date of sale to customers. To mitigate a portion of this risk, the Co-operative enters into contracts with the supplier to purchase the product at specified prices.

4. Transactions with Federated Co-operatives Limited

(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, 2023, the Co-operative purchased goods amounting to \$79,086,079 (2022 - \$80,972,064) 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:

	2024	2023
Opening investment balance	\$ 14,955,991	\$ 14,389,818
Patronage refund	3,274,841	2,830,868
Share redemptions	<u>(2,619,873)</u>	<u>(2,264,695)</u>
Closing investment balance	<u>\$ 15,610,959</u>	<u>\$ 14,955,991</u>



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2024

(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 \$160,054 (2023 - \$192,027). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$5,540 (2023 - \$7,097).

The Co-operative has one fertilizer site that is covered under the contaminated site management program established by FCL. Management cannot make a reasonable estimate of the future asset retirement obligation due to the uncertainty of the timing of when management would decommission the fertilizer division.

(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 March 2014. 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 \$1,291,500 (2023 - \$1,363,245). 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 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.

(iii) 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, 2024 amounted to \$978,083 (2023 - \$978,083). Management intends to fulfill all commitments with FCL.

(iv) 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, 2024 amounted to \$1,002,590 (2023 - \$1,002,590). Management intends to fulfill all commitments with FCL.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2024

(v) Under the terms of the agreement with FCL, the Co-operative has committed to purchase agro products from FCL and continue to operate a certain agro store over a 30 year period commencing from June 2022. 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, 2024 amounted to \$615,708. Management intends to fulfill all commitments with FCL.

5. Accounts receivable

	2024	2023
Customer accounts receivable	\$ 3,203,374	\$ 4,491,885
Other accounts receivable	3,356	5,672
Allowance for doubtful accounts	<u>(451,690)</u>	<u>(175,090)</u>
	<u>\$ 2,755,040</u>	<u>\$ 4,322,467</u>

6. Inventories

	2024	2023
Raw material	\$ 1,125,013	\$ 1,092,028
Goods for resale	<u>9,477,027</u>	<u>7,799,584</u>
	<u>\$ 10,602,040</u>	<u>\$ 8,891,612</u>

The cost of inventories recognized as an expense during the year was \$94,379,379 (2023 - \$96,349,802).

7. Long-term receivable

	Total	2024		2023	
		Current Portion	Deferred Portion	Current Portion	Deferred Portion
Ron's the Work Wear Store	<u>\$ 50,767</u>	<u>\$ 10,810</u>	<u>\$ 39,957</u>	<u>\$ 10,774</u>	<u>\$ 50,607</u>

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.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2024

8. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2024 Book Value	2023 Book Value
Land	\$ 3,443,514	\$ -	\$ 3,443,514	\$ 3,523,556
Buildings	21,567,163	10,416,912	11,150,251	12,563,729
Parking lots	4,575,861	2,246,528	2,329,333	2,531,579
Tanks & fences	333,719	217,647	116,072	128,969
Furniture & equipment	14,877,996	11,326,763	3,551,233	4,293,696
Vehicles	1,646,642	1,299,946	346,696	391,753
Vehicle equipment	442,710	226,582	216,128	60,890
Asset retirement cost	108,005	99,042	8,963	41,698
Assets under construction	2,964,351	-	2,964,351	302,838
	<u>\$ 49,959,961</u>	<u>\$ 25,833,420</u>	<u>\$ 24,126,541</u>	<u>\$ 23,838,708</u>

Depreciation for the current year included in operating and administration expense was \$2,227,988 (2023 - \$2,219,857).

9. Intangible assets

	Original Cost	Accumulated Amortization	2024 Book Value	2023 Book Value
Liquor licenses	<u>\$ 860,700</u>	<u>\$ -</u>	<u>\$ 860,700</u>	<u>\$ 860,700</u>

Liquor licenses have an indefinite life and are not amortized.

10. Lines of credit

(a) The Co-operative has a \$5,000,000 line of credit with Affinity Credit Union of which no amount has been drawn as at January 31, 2024 (2023 - \$nil). The line of credit is secured by a General Security Agreement. Interest on the line of credit is prime plus 0.25% (7.45%) (2023 - 6.95%). The line of credit is subject to certain measurable covenants. As of January 31, 2024, the Co-operative is in compliance with such covenants.

(b) The Co-operative has a line of credit with Federated Co-operatives Limited up to \$5,000,000 between the months of April to November and \$4,000,000 from December to March. As of January 31, 2024, no amount has been drawn. Interest on the line of credit is prime (7.2%) (2023 - 6.7%). The line of credit is subject to certain measurable covenants. As of January 31, 2024, the Co-operative is in compliance with such covenants.

(c) 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.



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2024

11. Accounts payable and trust liabilities

	2024	2023
FCL payables	\$ 9,624,403	\$ 6,053,284
Other payables	2,701,719	1,322,777
Trust liabilities:		
Workers compensation board	5,784	8,612
Liquor consumption tax	48,349	45,386
Vapour tax	222	-
Goods and services tax	26,954	19,001
Provincial sales tax	52,712	57,704
Payroll deductions	153,370	-
Federal fuel charge	465,206	297,806
	<u>\$ 13,078,719</u>	<u>\$ 7,804,570</u>

12. Share capital

	2024	2023
Authorized, unlimited @ \$1		
Balance, beginning of year	\$ 20,064,359	\$ 19,940,553
Allocation to members	2,461,325	1,877,536
Cash from new members	5,527	6,055
GST on allocation	68,976	94,881
Shares transferred from reserves	4,132	2,344
	<u>22,604,319</u>	<u>21,921,369</u>
General repayment	661,462	985,774
Withdrawals and retirements	663,351	566,505
Withholding tax	177,210	304,731
	<u>1,502,023</u>	<u>1,857,010</u>
Balance, end of year	<u>\$ 21,102,296</u>	<u>\$ 20,064,359</u>



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2024

13. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2024	2023
Balance, beginning of year	\$ 4,951,426	\$ 22,203,912	\$ -	\$ 27,155,338	\$ 25,048,702
Net savings distributed to retained savings	-	-	3,344,882	3,344,882	3,986,516
Patronage allocation	-	-	(2,461,325)	(2,461,325)	(1,877,536)
Shares transferred	(4,132)	-	-	(4,132)	(2,344)
Reserve transfers	178,642	704,915	(883,557)	-	-
Balance, end of year	<u>\$ 5,125,936</u>	<u>\$ 22,908,827</u>	<u>\$ -</u>	<u>\$ 28,034,763</u>	<u>\$ 27,155,338</u>

14. Sales

	2024	2023
Food division	\$ 38,974,329	\$ 34,643,713
Agro centre	40,858,027	45,377,867
C-Stores	29,014,434	31,267,417
	<u>\$ 108,846,790</u>	<u>\$ 111,288,997</u>

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

15. Net interest

	2024	2023
Interest expense	\$ 1,898	\$ 15,893
Interest revenue	(401,141)	(298,692)
	<u>\$ (399,243)</u>	<u>\$ (282,799)</u>



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2024

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 \$299,930 (2023 - \$312,997) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

17. 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:

	2024	2023
Savings before income taxes	\$ 3,572,840	\$ 4,059,077
Expected income tax expense at the combined tax rate of 22.4% (2023 - 27.0%) net of the small business deduction	800,316	1,095,951
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	4,256	(928)
Patronage allocation to members of \$2,461,325 (2023 - \$1,877,536)	(551,337)	(506,935)
Patronage carryforward claimed	(15,768)	-
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	30,756	-
Capital cost allowance in excess of depreciation	-	(486,434)
Allowance for doubtful accounts	(38,621)	4,069
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(3,805)	(61,070)
Patronage dividends available for carryforward	-	31,685
Prior year tax adjustment	2,161	(3,777)
Income tax expense	\$ 227,958	\$ 72,561

18. Subsequent event

Subsequent to January 31, 2024 the Board of Directors approved a patronage allocation to members in the amount of \$2,461,325 (2023 - \$1,877,536).



Southern Plains Co-operative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2024

19. Commitments

(a) The Co-operative is committed to the construction of a food store in Carlyle, Saskatchewan. The estimated total cost of the project is \$8,022,000 of which \$2,531,381 has been set up as assets under construction. This project will be financed from operations.

(b) The Co-operative is committed to the relocation of the Administration office. The estimated total cost of the project is \$600,000 of which \$432,970 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, 2024

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,	2015	\$ 16,069,174	\$ 1,149,369,365	\$ 47,545,470 ^(A)	4.1
	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
	2023	1,857,010	111,288,997	3,986,516	3.6
	2024	1,502,023	108,846,790	3,344,882	3.1
		<u>\$ 29,255,647</u>	<u>\$ 1,890,504,107</u>	<u>\$ 76,339,762</u>	<u>4.0</u>

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

Membership

Members purchasing during the year	11,493
Inactive members	<u>2,941</u>
Total members	<u>14,434</u>



Southern Plains Co-operative Limited
Schedule of Operating and Administration Expenses
For the Year Ended January 31, 2024

	2024		2023	
	(Unaudited)	%	(Unaudited)	%
Depreciation	2,227,988		2,219,857	
Accretion	5,540		7,097	
Fuel, power & water	723,970		651,293	
Insurance	231,991		207,711	
Repairs and maintenance	1,493,123		1,429,091	
Taxes and licenses	287,107		271,112	
Throughput charge	47,210		51,863	
Manufacturing overhead	<u>(290,320)</u>		<u>(278,806)</u>	
STANDBY COSTS	<u>4,726,609</u>	<u>4.3</u>	<u>4,559,218</u>	<u>4.1</u>
Employee benefits	1,151,705		1,107,493	
Moving, recruitment and training	108,279		187,828	
Salaries and Wages	7,692,260		7,448,385	
Uniforms and laundry	26,349		39,873	
Staff discounts	<u>49,906</u>		<u>45,986</u>	
STAFF COSTS	<u>9,028,499</u>	<u>8.3</u>	<u>8,829,565</u>	<u>7.9</u>
Advertising	316,841		322,848	
Communications	139,713		126,715	
Collections	628,580		559,872	
Delivery - Vehicles	376,161		345,312	
Directors and annual meeting	69,512		72,888	
Exchange and bank charges	15,145		29,249	
Rent	4,600		4,106	
Legal, audit and professional	75,109		79,596	
Data processing	502		499	
Loss on disposal of PP&E	8,010		31,589	
Member relations	201,300		160,864	
Stocktaking	25,740		23,178	
Supplies	438,002		434,806	
Car wash supplies	31,308		33,934	
Till differences	2,612		2,817	
Warranty service	22,263		18,295	
Travelling and business meals	44,935		41,129	
Recovery	(529,564)		(396,809)	
Miscellaneous	1,477		1,307	
Bad debts	273,579		120,000	
Net interest (Note 15)	<u>(399,243)</u>		<u>(282,799)</u>	
OTHER COSTS	<u>1,746,582</u>	<u>1.6</u>	<u>1,729,396</u>	<u>1.5</u>
TOTAL EXPENSES	<u>15,501,690</u>	<u>14.2</u>	<u>15,118,179</u>	<u>13.5</u>



MEMBER ENGAGEMENT COMMITTEE REPORT

2023 ANNUAL MEETING

The Member Engagement Committee of the Southern Plains Co-operative Ltd. for the year 2023 consisted of Connie Hagel (board rep on the branding committee), Rhonda Huish and Francis Boutin with board president Scott Kienlen and G.M. 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. Thanks to Brooke and the Branding Committee for their innovative ideas.

In 2023 we invested \$201,300 in member engagement, helping approximately 135 organizations through sponsorship, a donation of money or merchandise, or teaming-up with them in their fund-raising efforts. We strive to support a variety of communities and demographics. As usual, there are many donations supporting sports and recreation, education and youth programs. A small example includes: Estevan Minor Football, Alameda School Shop Program, Oxbow Rink, Moose Creek Golf Course, Gainsborough Swimming Pool, SE Regional Science Fair, Midale Day Care and breakfast and lunch programs at several schools in our area. In addition, we have also supported everything from senior's gift bags in Estevan, Thresherman Days in Frobisher and Midale, the Kenosee Lake Kitchen Party, Hwy 39 Barrel Racers, Sask. Cowboy Mounted Shooting, to the Prairie Winds Motorcycle Group. Even the animals are not left out with donations to the Bright Eyes Dog Rescue and the Estavan Humane Shelter to name a couple.

Southern Plains Co-op Community Giving highlights include:

- Co-op "Fuel Good" Day raised \$6,455 which supported the Estevan Rangers and Girl Guides, Oxbow Expressway Family Centre, and the Carlyle Cubs Learning Centre.
- The Blow Away Hunger Campaign raised \$12,857 for the communities of Estevan, Oxbow and Carlyle.
- \$5,000 was donated to the Carlyle Fun Dayz as a Platinum Sponsor for the Southern Plains Co-op Kids Fun Zone
- We contributed a whopping \$14,000 to STARS Air Ambulance with various fundraisers and BBQ's.
- We continued our support of the United Way, Festival of Lights and the ever-popular Trail of Terror which despite the snow and thanks to the hard-work of many had an estimated attendance of 1500 people this year!
- We have donated \$7,500 to the St. Joseph's Hospital Foundation, and \$12,500 to the Whitebear Splash Park.

Brooke and her team, the Branding Committee and the staff members who volunteer their time make many events possible. In 2023, they helped with 16 fundraising BBQ's, made floats for several parades, even a Christmas one! They celebrated Random Acts of Kindness Day by giving away gift certificates to unsuspecting customers. This year they initiated a free movie night at the Prairie Dog Drive-Inn and a Movie Night at the Bienfait Swimming Pool.

We can easily see how tens of thousands of people in our communities benefit when we all band together to "Do Some Good"

-Respectively Submitted by: Rhonda Huish - Member Engagement Committee chair

