

THE SASKATOON CO-OPERATIVE
ASSOCIATION LIMITED

2 0 1 0
ANNUAL REPORT

CO-OP EQUITY AND CASH BACK
QUALITY CO-OP® LABEL PRODUCTS
PERSONALIZED SERVICE
CO-OP...YOUR COMMUNITY BUILDER

President's Report

On behalf of the Board of Directors, I wish to thank you, the members of the Co-op, for your support, our employees for their excellent service, and our management for operating the Co-op retail enterprise in a competitive and efficient manner. This has allowed us to maintain a strong balance sheet and good bottom line with sales exceeding \$283,000,000. Our membership increased by over 3,000 and we have approximately 900 excellent staff who have secure well paying jobs.

Your Co-op makes a very significant contribution to our local economy. This contribution should be considered in the context of a lecture presented by John Restakis, Executive Director British Columbia Co-operative Association, given in Saskatoon at the Centre for Co-op Studies, on April 7, 2011.

Mr. Restakis points to Co-ops and their role in achieving economic democracy. In last year's report I stressed "The Saskatoon Co-op is 100% owned by you and your equity cashback and patronage refunds are paid and allocated based on the dollars that you spend at the Co-op in supporting your business. When each of us as consumers make a purchase decision, where and how we commit these dollars should be based on our evaluation of what contribution the business makes to ourselves as consumers and to our community."

Mr. Restakis believes that you as a member, exercising economic democracy by supporting your Co-op, "humanizes" the economy. This creates a balance between the capitalist system, (which he notes is in crisis based on experience of recent events in the United States), etc. and the failed communist experiment which has also collapsed. He notes there is a need for a middle path that avoids the Marxist extreme of market rejection on the one hand, and "the unbridled power of capital under Neoliberalism on the other."

He sees the cooperative movement as a way to democratize the economy and if cooperative movements are governed appropriately and directed in the right way, will evidence "a new, more humane, economic and social order."

He voices a caution that the cooperative movement may or may not "provide the leadership so desperately needed to seize the moment and point a way forward."

During the last three years of my association with the Saskatoon Co-op, your Board has experienced the constant challenge and the pressure to balance the need to maximize profitability in the interests of returning equity and cashback to members, while at the same time adhering to overall Co-op principles. Those principles, as referenced by Mr. Restakis include "humanizing the economy." Your Board has worked very hard during the last three years to find a balance in that regard. A strategic plan has been completed, which in some measure achieves that balance. However, there is work yet to be done.

A significant challenge for the membership and the Board of the Co-op, if they are to continue to pursue "humanizing" the economy, will be to complete governance initiatives which will see the collaborative relationship with Federated Co-op changed and enhanced. The local Saskatoon Co-op members and Board, (with the greatest respect to those who disagree with me), must take back the full and complete governance and management of the Co-op.

From my personal perspective, the orderly transition out of the present management agreement with Federated and into a collaborative "joint venture" type enterprise is a natural evolutionary step at this point in our Co-op's history. Such a joint venture would combine the business skills and purchasing power of Federated with the local Co-op's ability to be a socially humane and locally responsible employer, as well as an excellent retail business member of the community, and social animator, on behalf of its members in the local Saskatoon economy.

I wish to close by thanking the membership, Board, and management for the support that they have given me during my term as President over the last three years. Because of family, farm, and professional commitments, I will regretfully not be running again for the Board. I believe appropriate Board succession planning is in place and the members will continue to be well served.

Thank you,

Bill Wardell – President

Committees

Policy and Governance

Valerie Pearson Chair
Ron Moffatt Vice-Chair
Leslie Bennett Member
Joy Crawford..... Member

Sustainable Growth, Facilities & Environment

Gordon Bedient Chair
Leslie Bennett Member
Mike Puckett Member
Ron Moffatt Member

Finance and Audit

Joy Crawford..... Chair
Veronica LaCroix Member
Andrew Mason..... Member
Valerie Pearson Member

Member Relations

Veronica LaCroix Chair
Gordon Bedient Member
Mike Puckett Member
Andrew Mason..... Member

Executive

Bill Wardell Chair
Valerie Pearson Vice-Chair
Joy Crawford..... Treasurer
Leslie Bennett Secretary

Board of Director Terms

Leslie Bennett2013
Mike Puckett2013
Ron Moffatt2013
Gordon Bedient2012
Veronica LaCroix2012
Valerie Pearson2012
Joy Crawford.....2011
Andrew Mason.....2011
Bill Wardell.....2011

FCL Delegates

Andrew Mason
Joy Crawford
Mike Puckett
Veronica LaCroix
Valerie Pearson

Board of Directors



Bill Wardell, President



Valerie Pearson, Vice-President



Leslie Bennett, Secretary



Joy Crawford, Treasurer



Gordon Bedient



Ron Moffatt



Veronica LaCroix



Andrew Mason



Mike Puckett

Strategic Planning Committee

The purpose of the strategic plan is to determine where the Co-op is now, where it wants to be in the future, how it will get to the chosen situation, and how it measures its progress. The work of the Committee continued in 2010 with the priority being how to measure progress. To this end, objective-based key performance indicators were developed.

The main strengths of the Co-op are its local ownership and local control. As well, five diverse retail business lines - grocery, hardware, petroleum, travel, and agro - insulate the Co-op against fluctuations in the economy and other competitive challenges. Finally, the Co-op is in a strong financial position.

The vision of the Co-op is to be the “Preferred Place to do Business” in Saskatoon and area. This vision will become reality by “Providing Excellence for our members.” Excellence will exist in the local focus, quality products and service, diversity and member relations. Members will prefer to shop at the Co-op because they feel welcomed and appreciated. Members must feel a sense of pride in their ownership of the Co-op.

To achieve this excellence, the Co-op must

- Exceed members’ /customers’ expectations
- Reduce/minimize the environmental footprint
- Deliver sustainable returns and growth
- Facilitate employee achievement and development
- Lead the industry in supporting our communities

Actions to achieve preference is the focus of the 2011 and subsequent business plans. Management performance in relation to these stretch objectives will form the basis by which FCL, as the general manager, is evaluated.

Joy Crawford – Treasurer

Saskatoon Co-operative Association Limited

Vision, Mission and Objectives

Vision

To be the preferred place to do business.

Mission

To provide excellence for our members.

Objectives

- Exceed members / customers expectations.
- Reduce / minimize the environmental footprint.
- Deliver sustainable returns and growth.
- Facilitate employee achievement and development.
- Lead the industry in supporting our community.

Management Report

Operations

Saskatoon Co-op achieved record sales once again in fiscal 2010, ending the year just over \$283.2 million. This was an increase of \$16.6 million or 6.2% over the 2009 total.

Total gross margin was \$48.2 million, or 17.0% of sales, compared to \$47.1 million or 17.7% the previous year.

Expenses came in at \$44.6 million, or 15.7% of sales, compared to \$40.8 million or 15.3% of sales in 2009.

Income from operations totaled \$3.7 million or 1.3% of sales, compared to the \$6.3 million or 2.4% of sales achieved the previous year.

The patronage earned on purchases from the Co-op's wholesaler, Federated Co-operatives Limited (FCL), came to \$12.3 million. This was an increase from the previous year, when FCL patronage was \$11.9 million.

All told, net savings before income taxes and patronage refunds to members was \$16.0 million or 5.6% of sales, compared to \$18.1 million or 6.8% of sales last year.



Grant Wicks
General Manager

Patronage Allocations

Patronage will be allocated to members' share accounts from the net savings at the following rates, based on each member's purchases:

Travel.....	1.35%	Shopping Centers.....	2.20%
Home Centers & Agro.....	2.60%	Gas Bars – Fuel.....	7.25%
Bulk Petroleum.....	7.25%	Gas Bars – Non Fuel.....	2.20%

Equity and Cash Back

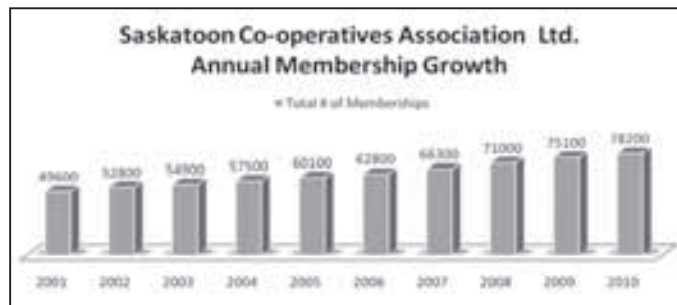
Your Board of Directors has approved a total of \$9.4 million to be allocated to members' share accounts following operations in the 2010 fiscal year. Requests for repayment of equity, and the general cash repayment, are expected to result in approximately \$5 million being paid out during 2011.



Gerald Hiebert
Operations Manager

Growing Membership

The total number of memberships in Saskatoon Co-op continues to grow at a healthy rate. The graph shown here illustrates a total growth rate of 57% over the last ten years. The population of the city of Saskatoon grew by 14% over the same time period.



Facilities and Services

The relocation of the Agro Department from the Avenue C site to the new facility adjacent to Highway #16 northwest of Saskatoon was completed in December. Space is now available for the long-awaited expansion and renovation of the Avenue C Home Center, which started last fall.

Land was purchased for the new Stonebridge Food store, and for a cardlock and seasonal Agro site adjacent to Highway #11 southeast of Saskatoon.

Property has recently been purchased for the construction of an administrative building, also in the Stonebridge neighbourhood.

Construction progressed on the new 51st Street Gas Bar/C-Store/Cardlock/Car Wash facility, with completion slated for this spring.

The expansion of the pump island and canopy at the Attridge Gas Bar location was also initiated in 2010.

Your management team tours all of Saskatoon Co-op's facilities on a regular basis, and maintenance is ongoing. A five year plan has been developed with the Board of Directors to address the present and future needs of Co-op members. Many projects have been identified, both in terms of renovations and new construction.

In closing, I would like to thank the members for their continued and strengthening support. Your management team looks forward to another exciting and prosperous year in 2011.



Harley McClughan
Operations Manager

Policy and Governance Committee

The purpose of the Policy and Governance committee is to assist the Board in the implementation of the organizations' Mission and Objectives and to provide guidance and recommendations to the Board in achieving that purpose. Key areas that the committee focused on for 2010 were as follows:

The Board identified the need for a full time General Manager. Meetings were held with Federated Co-operatives Limited and we agreed to amend the management agreement to provide a full time General Manager for Saskatoon Co-op.

An Indemnification agreement between Saskatoon Co-op and the Board of Directors was prepared and signed.

A new bylaw was developed on Board remuneration to be brought forward at this year's annual meeting for the consideration of the membership.

A consultant has been retained to do a complete review of Saskatoon Co-op's bylaws and report back to the Board with any recommendations.

Ron Moffatt – Vice Chair

Finance and Audit Committee Report

The purpose of the committee is to assist the Board of Directors in fulfilling its oversight obligations and report to the Board of Directors on matters relevant to the external audit, audited financial statements, and conduct of the external audit and to scrutinize the audited financial statements of the Co-op and to review matters deemed by the Board to be of financial significance.

The Finance & Audit Committee met four times throughout the 2010 fiscal year. Three of these meetings are core to the committee's responsibilities. Each of the core meetings had a different focus as follows:

- Meeting One: To review the committee's annual responsibilities and any additional assignments.
- Meeting Two: To review interim results and the year-end audit plan with KPMG, the external auditor.
- Meeting Three: To review the 2010 audit and year-end financial statements with KPMG . The committee recommended acceptance of the 2010 audited financial statements to the Board of Directors.

The fourth meeting of the year was to review distribution of savings and to pass a recommendation on such distribution to the board.

Joy Crawford – Chair

Sustainable Growth, Facilities and Environment Committee Report

This year has been an exciting year for the Sustainable Growth and Facilities and Environment committee. We started the year as the Sustainable Growth and Facilities committee as we thought each committee should take responsibility for the environment. We were not too far into the year when we decided that we still needed a committee which would focus on the environment. This decision was made to keep the Saskatoon Co-op as a leader in environmental stewardship.

We have been very busy this year with the following projects:

- Ave C Home Centre Re-Development
- Attridge Gas Bar Canopy & Pump upgrade
- Dundurn Cardlock and Satellite Agro Facility
- Stonebridge Market Place
- Stonebridge Administrative Building
- Blairmore Property Purchase

We opened the new Agro centre and construction is nearly complete on the 51 Street Gas Bar/ C-Store/ Car wash.

We are attempting to use LEED standards in our new buildings. We have completed our base line for our carbon unit usage for each location with the intention to reduce our carbon foot print. We developed a Green Plan manual for staff and management.

Gord Bedient – Chair

Member Relations Committee Report

The purpose of the committee is to assist the Board in maintaining and improving the viability of the Co-op through programs aimed at increasing the interest, understanding and commitment of members, recruiting new members and developing a positive feeling towards the Co-op in the community.

Some of the programs that fall under the mantle of the committee are: the quarterly charity brunches that allow local charitable organizations to raise funds and awareness; the sponsorship of ten young co-operators who attend Co-op Youth camps; a donations program that provides small donations of merchandise, gift cards and promotional items to local non-profit groups, plus a single significant cash donation annually which this year went to the Westmount Community School Playground Enhancement Project; the book exchange program which helps fund the Seniors' Bus Program; and a variety of other activities designed to help the committee achieve its purpose. This year we initiated a survey designed to give us a better idea of the thinking of both members and others in the community we serve.

The focus for the upcoming year will be member education and celebrating both our 75th anniversary and the upcoming United Nations Year of the Co-operative.

Veronica LaCroix – Chair

Human Resources Management Report

Annual Staff Meeting

Saskatoon Co-op held its first Annual General Staff meeting for all employees in November of 2010. Sixty-five percent of employees attended this event where the focus was on Customer Service and Motivation. We are currently planning the second Annual General Staff meeting to take place this coming October.

Employee Relations

Saskatoon Co-op currently employs approximately 900 people. We are excited about expansion opportunities for 2011/2012 and anticipate employing nearly 1,000 people by the end of next year. Enhancements to employee communication will be a key focus for the HR Team. Improvements to the Saskatoon Co-op website, a new employee Newsletter and Facebook page are some examples of what we will be rolling out in the coming year.

Training

In 2009, Saskatoon Co-op launched E-learning to the Petroleum division. In 2011, E-learning will be launched to the remaining divisions. This program will strive to ensure consistent training through online modules, PowerPoint presentations and on the job training.

United Way – Giving Back to the Community

Saskatoon Co-op has been involved in fundraising for the United Way for many years. The 2010 campaign was successful in raising a total of \$10,919. Every employee that contributed to the campaign was entered into a draw for 1 of 3 \$50 gift cards. The employee who raised the most money in each department was given a \$25 gift card. In addition to these prizes, there were also departmental competitions. The winner of these competitions was awarded a Co-op party pack.

Diversity

Saskatoon Co-op is experiencing continued growth building a diverse and representative workforce. Partnerships with community based organizations and educational institutions have been a success! Candidates were part of successful work placements, mentorships and employment opportunities. Thank-you to SIIT, Dumont Technical Institute, Open Door Society, Saskatchewan Intercultural Association, Partners In Employment and many more for their ongoing partnerships. Saskatoon Co-op also sponsored and co-chaired the National Interprovincial Association of Native Employment. Efforts in building a workforce representative of the community are successful and ongoing.

Employee Referral Program - 2010

A total of 60 employees from various locations referred 66 new hires to work at Saskatoon Co-op. Among those, 48 employees already passed their probation. Listed are those who participated in this program:

1. Human Resources: Mary Zamko
2. 8th street Home Centre: Luke Pontarollo, has referred 3 new employees
3. Avenue C Home Centre: Bob Wiebe, Brett Anderson, Darlene Obrigewitsch, Dave Penny, Grant Ratzlaff,

Larissa McAuley, Wendy Matheson and Will Kutney referred 9 people

4. Greystone location: Victoria Kolybaba, Helen McLeod, Joel Wisser
5. Attridge location: Carol Bedient, Jill Dumanski, Brigitte Herzog, Jill Charbonneau, Alysha Joannette, Theresa Bressers, Joan Omelian, Renee Nelson
6. Westview location: Rachel Friesen, Glenda Kuryluk, Nichole Pereira, Shawna Didur, Verna Kovlaske, Yvonne Fehr, John Thompson
7. Gas Bar #1: Diego Juarez, Austin Olenchuk
8. Gas Bar #2: Mitchell Wolloshyn
9. Gas Bar #3: Adison Hunter, Terilyn Quiring
10. Gas Bar #5: Zachary Mikituk, Justin Schoffer
11. Gas Bar #6: Brady Kendel, Troy Balkwill, Brittney Sittler, Collin Klassen
12. Gas Bar #9: Dylan Peters, Keenan Strelau, Kyle Langer, Anthony Dale
13. Gas Bar #10: Joan Froese, Regan Rucks, Brian Veltkamp, Matthew Hodgekinson, Gabriella Parsons
14. Gas Bar #11: Mike Smidt, Taylor Closson, Brandon Petrescue, Braedon Harper, Shelton Bowes
15. Gas Bar #12: Jordan Arabski, Gideon Foley
16. Gas Bar #13: Levi Aitken, Jordan Laverty
17. Gas Bar #14: Curtis Shivak, Patrick Gamble

Employee Service Award Program

Saskatoon Co-op would like to again congratulate our 2010 milestone year recipients. Thank you for your service and dedication throughout the years!

Long-term service awards were presented to the following employees in 2010:

35 Years: Debra Booth, John Boudreau, Orest Turchyn, Randy Boehm, and Tim Obrigewitsch.

30 Years: John Slawinski, Lauriel Huzan-Borycki, Molly Neudorf, Myrtle McNulty, Paul Lavallee, and Raymond Nielson.

25 Years: Gerald Hiebert, Robert Nestor, Stan Neigum, and Stew Winter.

20 Years: Bea Pawluk, Darren Dale, Evelyn Shuya, Glenda Kurylyk, Greg Krawchuk, James Reimer, Jennifer Kitchen, Kamaljit Dhanjal, Leo Carrobourg, Michelle Morgan, and Tamar Graham.

15 Years: Angela Hagen, Dallas Munkholm, Holly Yurach, and Kelly Regush.

10 Years: Amber Leith, Angela Erick, Brenda Peters, Ciara Phelps, Jimmy Intarakosit, Justina Peters, Lorna Thiessen, Maria Mogdan, Michael Yantz, Myrna May, Rachel Unruh, Rosanne Croteau, and Solange Hucq.

5 Years: Aaron Checkosis, Aaron Thibault, Amber Birns, Angie Schreiner, Anita Shumanski, Blair George, Camille Mangatal, Carlyn Shewchuk, Chantal Deibert, Darcy Matlock, Donna Kaszas, Elaine Pingert, Jennen Sanderson, Jill Benaschak, Karen Veszeli, Kassidy Schneider, Kelly Kendry, Kelsey Nicholls, Kimberley Berg, Kristal Hurlburt, Lorna Gogol, Meagen Dunn, Natalie Turner, Nick Hazen, Patricia Bobyn, Patricia Mummery, Ryan Janzen, Sharon Brewer, Tam Thai, Teresa Dimaguila, Tiffany Basingthwaite, and Vinnie Evans.

Shopping Locations

Marketplace Food Stores & Pharmacies	Greystone (8th Street & Emerson) Westview (33rd Street & Avenue P) Attridge (Attridge & Lowe)
Home Centres	Avenue C & Circle Drive 8th Street & Grosvenor Avenue
Gas Bars/C Stores	Fairlight & Diefenbaker 22nd Street & Avenue D Broadway & 8th Street Greystone Avenue C & Circle Drive 51st Street & Cleveland Avenue Attridge Preston Crossing Martensville - #7-8 Centennial Drive N. Warman - 310 Central Street Stonebridge - Stonebridge Blvd. & Clarence Ave. Westview
Car Washes	Greystone Avenue C & Circle Drive Fairlight & Diefenbaker Attridge & Lowe Preston Crossing Warman Stonebridge
Agro Centre	1327 North Service Road Highway 16 West
Travel Agencies	Greystone Centre Westview Centre
Administration	Avenue C & Circle Drive Home Centre

International Co-operative Alliance

STATEMENT ON THE CO-OPERATIVE IDENTITY

DEFINITION

A co-operative is an autonomous association of persons united to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

VALUES

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

PRINCIPLES

The co-operative principles are guidelines by which co-operatives put their values into practice.

1. Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organizations controlled by all their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one members, one vote), and co-operatives at other levels are also organized in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operatives. At least part of that capital is usually common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about co-operative autonomy.

6. Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities, through policies approved by their members.

Manchester, United Kingdom
September 23, 1995



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Independent Auditors' Report

To the Members of Saskatoon Co-operative Association Limited

We have audited the accompanying financial statements of Saskatoon Co-operative Association Limited ("the Co-operative"), which comprise the balance sheet as at January 31, 2011, and the statements of operations and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Co-operative's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatoon Co-operative Association Limited as at January 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Saskatoon, Canada
March 28, 2011

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

SASKATOON CO-OPERATIVE ASSOCIATION LIMITED

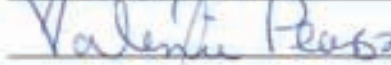
Balance Sheet

As at January 31, 2011

	This Year	Last Year
CURRENT ASSETS		
Cash and Bank	\$ 638,499	\$ 763,479
FCL Special Deposit	25,500,000	25,500,000
Accounts Receivable - Customer (Note 4)	2,969,384	2,555,164
- Other (Note 4)	458,179	685,594
Current Portion - Long-Term Receivables (Note 5)	3,578	3,578
Inventories (Note 1)	17,304,013	14,162,841
Prepaid Expenses	<u>267,621</u>	<u>258,530</u>
	\$ 47,141,274	\$ 43,929,186
LONG-TERM RECEIVABLES (Note 5)	1,491	5,069
INVESTMENTS (Note 1)	27,066,025	24,609,902
FIXED ASSETS (Note 1)	<u>39,514,940</u>	<u>36,893,317</u>
	\$ 113,723,730	\$ 105,437,474
CURRENT LIABILITIES		
Trust Liabilities	170,559	197,908
Accounts Payable (Note 6)	6,908,970	5,323,114
Accrued Expenses	3,043,023	2,988,125
Current Portion - Long Term Liabilities (Note 7)	<u>1,205,634</u>	<u>2,091,687</u>
	11,328,186	10,600,834
LONG -TERM LIABILITIES (Note 7)	-	1,341,711
MEMBERS' SHARE CAPITAL (Note 8)	55,915,580	51,595,832
RESERVES & RETAINED SAVINGS (Note 9)	<u>46,479,964</u>	<u>41,899,097</u>
	\$ 113,723,730	\$ 105,437,474

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:


 _____ Director

 _____ Director

SASKATOON CO-OPERATIVE ASSOCIATION LIMITED

Statement of Operations

For the year ended January 31, 2011

	This Year	%	Last Year	%
SALES	\$ 283,258,031	100.0	\$266,608,566	100.0
Cost of Goods Sold	<u>234,974,706</u>	<u>83.0</u>	<u>219,514,437</u>	<u>82.3</u>
Gross Margin	<u>48,283,325</u>	<u>17.0</u>	<u>47,094,129</u>	<u>17.7</u>
EXPENSES:				
Staff	26,956,976	9.5	24,244,828	9.1
Building and Maintenance	12,312,830	4.4	11,694,819	4.3
Administration and Marketing	5,756,052	2.0	5,216,809	2.0
Interest Revenue (Note 3)	<u>(470,704)</u>	<u>(0.2)</u>	<u>(329,807)</u>	<u>(0.1)</u>
	<u>44,555,154</u>	<u>15.7</u>	<u>40,826,649</u>	<u>15.3</u>
INCOME FROM OPERATIONS	3,728,171	1.3	6,267,480	2.4
Patronage Refunds	<u>12,284,630</u>	<u>4.3</u>	<u>11,870,880</u>	<u>4.4</u>
SAVINGS BEFORE INCOME TAXES AND PATRONAGE REFUND TO MEMBERS	<u>16,012,801</u>	<u>5.6</u>	<u>18,138,360</u>	<u>6.8</u>
Patronage Refund to Members	9,410,887	3.3	9,766,186	3.6
Provision for Income Taxes	<u>2,114,575</u>	<u>0.7</u>	<u>2,309,101</u>	<u>0.9</u>
RETAINED SAVINGS	<u>\$ 4,487,339</u>	<u>1.6</u>	<u>\$ 6,063,073</u>	<u>2.3</u>

See accompanying notes to financial statements.

SASKATOON CO-OPERATIVE ASSOCIATION LIMITED

Statement of Cash Flows

For the year ended January 31, 2011

	<u>This Year</u>	<u>Last Year</u>
OPERATING ACTIVITIES:		
Savings Before Income Taxes and Patronage Refund to Members	\$ 16,012,801	\$ 18,138,360
Expenses (Revenue) Not Requiring (Providing) a Current Outlay (Inflow) of Cash:		
- Depreciation	3,976,279	3,443,429
- FCL Patronage Refund	(12,284,630)	(11,870,880)
- Provision for Income Taxes	(2,114,575)	(2,309,101)
- Loss (Gain) on Disposal of Fixed Assets	190,054	(2,527)
Changes in non-cash operating working capital:		
Customer Accounts Receivable	(414,220)	(962,313)
Other Accounts Receivable	227,415	(134,815)
Inventories	(3,141,172)	304,476
Prepaid Expenses	(9,091)	(37,836)
Long-Term Receivables	3,578	3,578
Accounts Payable	1,585,856	(523,568)
Other Current Liabilities	<u>27,549</u>	<u>(99,242)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,059,844	\$ 5,949,561
INVESTING ACTIVITIES		
Redemption of FCL Shares	9,828,507	9,503,531
Additions to Fixed Assets	(6,836,682)	(11,368,356)
Proceeds from the Disposal of Fixed Assets	<u>48,726</u>	<u>47,608</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 3,040,551	\$ (1,817,217)
FINANCING ACTIVITIES		
Increase in Long Term Debt	-	3,253,733
Repayment of Long Term Debt	(2,227,764)	(2,118,036)
Share Capital Issued	45,310	54,460
Redemption of Share Capital	<u>(5,042,921)</u>	<u>(5,206,486)</u>
CASH USED IN FINANCING ACTIVITIES	\$ (7,225,375)	\$ (4,016,329)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(124,980)	116,015
Cash and Cash Equivalents, Beginning of Year	26,263,479	26,147,464
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 26,138,499</u>	<u>\$ 26,263,479</u>
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash and Bank	638,499	763,479
FCL Special Deposit	<u>25,500,000</u>	<u>25,500,000</u>
	<u>\$ 26,138,499</u>	<u>\$ 26,263,479</u>
Income taxes paid	<u>\$ 2,118,122</u>	<u>\$ 2,303,407</u>

See accompanying notes to financial statements.

SASKATOON CO-OPERATIVE ASSOCIATION LIMITED

Notes to Financial Statements

For the year ended January 31, 2011

1. Summary of Significant Accounting Policies:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and sales and expenses for each year presented and in the disclosure of commitments. Changes in estimates and assumptions may occur with the passage of time and the occurrence of future events.

(a) Inventories:

Inventories are valued using a weighted averaged cost formula, FIFO, and the retail method. Inventories are stated at the lower of cost and net realizable value.

(b) Investments:

Federated Co-operatives Limited

Saskatoon Co-operative Association Limited (the "Co-operative") along with other Co-operatives in Western Canada own Federated Co-operatives Limited (FCL). At the end of each year, FCL distributes substantially the total 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, 2010, the Co-operative purchased goods amounting to \$193,311,656 (last year - \$177,471,074) 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, shares redeemed and investment in FCL are as follows:

	<u>This Year</u>		<u>Last Year</u>
FCL Patronage Refunds	\$ 12,284,630	\$	11,870,880
FCL Share Redemption	9,828,507		9,503,531
Investment in FCL	27,066,025		24,609,902

SASKATOON CO-OPERATIVE ASSOCIATION LIMITED

Notes to Financial Statements

For the year ended January 31, 2011

1. Summary of Significant Accounting Policies – (continued):

(c) Fixed Assets:

Fixed assets are recorded at original cost. Depreciation is calculated over the estimated useful lives of the assets using the following methods and rates:

<u>Asset</u>	<u>Method</u>	<u>Rate</u>
Pavement	Declining Balance	8%
Parking Lot equipment	Declining Balance	10%
Buildings	Declining Balance	4% to 10%
Buildings	Straight-line	25 years
Tanks	Declining Balance	10% to 20%
Furniture and Equipment	Declining Balance	20% to 55%
Vehicles	Declining Balance	30%
Computer Equipment	Straight-line	3 years
Leasehold Improvements	Straight-line	5 years & 10 years

During the year of acquisition, depreciation is calculated at one-half the normal rates. 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 major fixed assets are reflected in operations in the year of disposition.

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 in 2010.

The major categories of the Co-operative's fixed assets are as follows:

<u>Description</u>	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>This Year Book Value</u>	<u>Last Year Book Value</u>
Land	\$ 11,897,210	-	11,897,210	9,915,210
Buildings	23,751,553	8,261,978	15,489,575	14,487,066
Leasehold Improvements	824,029	331,449	492,580	546,522
Tanks	1,564,845	867,466	697,379	861,592
Furniture and Equipment	17,408,715	12,657,311	4,751,404	5,529,753
Computer equipment	2,522,508	2,115,015	407,493	380,601
Pavement	2,379,956	1,094,448	1,285,508	1,135,931
Vehicles	1,958,923	1,099,439	859,484	726,478
Parking lot equipment	131,945	37,099	94,846	-
Under construction	<u>3,539,461</u>	<u>-</u>	<u>3,539,461</u>	<u>3,310,164</u>
Total	<u>\$ 65,979,145</u>	<u>26,464,205</u>	<u>39,514,940</u>	<u>36,893,317</u>

Depreciation during the year was \$3,976,279 (last year - \$3,443,429).

SASKATOON CO-OPERATIVE ASSOCIATION LIMITED

Notes to Financial Statements

For the year ended January 31, 2011

1. Summary of Significant Accounting Policies – (continued):

(d) Income Tax:

The provision for income taxes is calculated after providing for a patronage allocation to members of \$9,410,887 (last year - \$9,766,186).

(e) Comprehensive Income:

Comprehensive income consists of net savings and other comprehensive income. Since comprehensive income is the same as net savings, a statement of comprehensive income is not provided.

(f) Accounting Standards for Private Enterprises:

In October 2009, the Accounting Standards Board approved the final accounting standards for Private Enterprises in Canada. The standards were issued at the end of 2009 as part of the CICA Accounting Handbook effective for the annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Co-operative will prepare its financial statements in accordance with Canadian Standards for Private Enterprises beginning with the start of its January 31, 2012 fiscal year. At this time, the impact on the Co-operative's financial statements is not reasonably determinable.

2. Management Agreement

The Co-operative has a management agreement, renewable on an annual basis, with FCL. The agreement provides for the provision of management services, including business and financial planning and operational assistance, by FCL to the Co-operative. The cost to the Co-operative with respect to this agreement was \$197,555 (last year - \$224,196).

3. Interest Revenue:

	<u>This Year</u>	<u>Last Year</u>
Interest expense on short-term borrowing	\$ 1,098	\$ 342
Interest revenue	<u>(471,802)</u>	<u>(330,149)</u>
	<u>\$ (470,704)</u>	<u>\$ (329,807)</u>

4. Accounts Receivable:

Customer accounts receivable is shown net of prepaid customer accounts of \$914,553 (last year - \$766,505) and an allowance for doubtful accounts of \$450,000 (last year - \$450,000). Other accounts receivable include income taxes receivable of \$343,204 (last year - \$339,657).

SASKATOON CO-OPERATIVE ASSOCIATION LIMITED

Notes to Financial Statements

For the year ended January 31, 2011

5. Long-Term Receivables:

	<u>Total</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Tenant Leasehold Improvements, bearing no interest are receivable over the remaining two years at \$298 per month.	\$ 5,069	3,578	1,491

6. Accounts Payable:

Accounts payable include \$5,147,978 (last year - \$3,728,771) due to Federated Co-operatives Limited.

7. Long-Term Liabilities:

	<u>Total</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Federated Co-operatives Limited			
Petroleum Equipment upgrade loans bear no interest and are repayable over a three year term.	\$ 1,205,634	1,205,634	—

8. Members' Share Capital:

	<u>This Year</u>	<u>Last Year</u>
Authorized Unlimited @\$1		
Balance, Beginning of Year	\$ 51,595,832	\$ 47,071,594
Allocation	9,410,887	9,766,186
Cash from new members	45,310	54,460
GST on allocation	325,269	353,124
	<u>61,377,298</u>	<u>57,245,364</u>
Withdrawals and retirements	4,536,298	4,624,323
Withholding tax	831,892	935,287
Shares transferred to Statutory Reserve	93,528	89,922
	<u>5,461,718</u>	<u>5,649,532</u>
Balance, End of Year	\$ 55,915,580	\$ 51,595,832

SASKATOON CO-OPERATIVE ASSOCIATION LIMITED

Notes to Financial Statements

For the year ended January 31, 2011

9. Reserves & Retained Savings:

	<u>Statutory Reserve</u>	<u>General Reserve</u>	<u>Retained Savings</u>	<u>Total</u>	<u>Last Year</u>
Balance, Beginning of Year	\$ 9,056,777	31,944,262	898,058	41,899,097	35,746,102
Net Savings Distributed to Retained Savings	-	-	4,487,339	4,487,339	6,063,073
Shares Transferred	93,528	-	-	93,528	89,922
Appropriation from Retained Savings	<u>801,000</u>	<u>3,671,000</u>	<u>(4,472,000)</u>	<u>-</u>	<u>-</u>
Balance, End of Year	<u>\$ 9,951,305</u>	<u>35,615,262</u>	<u>913,397</u>	<u>46,479,964</u>	<u>41,899,097</u>

10. Commitments:

The Co-operative has entered into leases for the leasing of the 8th Street Home Improvement Centre, the Greystone Shopping Centre, the land at the Martensville Gas Bar/C-Store and the land at the Preston Crossing Gas Bar/C-Store. Future committed minimum lease payments including anticipated lease payments on leases expected to be renewed, over the next five years amount to:

January 31, 2012	\$ 785,181
2013	793,501
2014	802,656
2015	810,981
2016	817,221

Occupancy costs are in addition to the future committed minimum lease payments.

The Greystone Shopping Centre lease expires in October of 2011 with options to renew for two more terms of five years each.

The 8th Street Home Improvement Centre lease expires in September of 2020.

The Martensville Gas Bar/C-Store ground lease expires in June of 2014 with the option to renew for one term of five years.

The Preston Crossing Gas Bar/C-Store ground lease expires in December of 2025 with the option to renew for four terms of five years each.

SASKATOON CO-OPERATIVE ASSOCIATION LIMITED

Notes to Financial Statements

For the year ended January 31, 2011

11. Financial Instruments and Risk Management

(a) Capital Management

The Co-operative applies prudent fiscal management policies and practices designed to generate adequate levels of members' share capital and reserves and retained savings and other appropriate financial resources. The Co-operative builds reserves so there are adequate levels of capital on hand to meet the short term and long term needs of the Co-operative and pay out cash refunds to its members. Cash is monitored through the budgeting and planning process to analyze the Co-operatives capital structure under various potential scenarios.

(b) Credit Risk

The Co-operative is exposed to credit risk on the accounts receivable from its customers. The Co-operative manages the credit risk through an active credit management program. The Co-operative does not have a significant exposure to any individual customer.

(c) Interest Rate Risk

The Co-operative's sensitivity to fluctuations in interest rates is limited to certain of its cash, funds on deposit, and debt. The Co-operative manages its exposure to interest rate risk through floating rate deposits and borrowings.

(d) Fair Value

The carrying amounts of financial instruments including cash and bank, FCL special deposit, accounts receivable, long-term receivables, trust liabilities, accounts payable and accrued expenses approximate their fair value due to the short-term period to maturity of the items or their nominal value. Investments, consisting of an investment in FCL, have no quoted market value and it is not practical to determine their fair value due to the nature of the investment and the relationship between the related parties. Members' share capital have no fixed terms of repayment, are non-interest bearing, are repayable at the discretion of the Board of Directors, and fair value approximates carrying value. Long-term liabilities are repayable to FCL and it is not practical to determine their fair value due to the nature of the relationship between the related parties.

SASKATOON CO-OPERATIVE ASSOCIATION LIMITED

Notes to Financial Statements

For the year ended January 31, 2011

12. Segmented Information:

The Co-operative's business operations are grouped into two business segments, the principal activities of which are as follows:

- a) Consumer Division – consists of the sale and distribution of food, pharmaceutical products, general merchandise, building materials and petroleum products from the gas bar operations.
- b) Agro Division – consists of the sale of bulk petroleum products, crop protection, seed, twine and agricultural equipment.

	<u>This Year</u>	<u>Last Year</u>
Sales:		
Consumer Division	\$ 255,392,635	\$ 239,414,646
Agro Division	<u>27,865,396</u>	<u>27,193,920</u>
	283,258,031	266,608,566
Income from Operations:		
Consumer Division	3,631,499	5,947,524
Agro Division	<u>96,672</u>	<u>319,956</u>
	<u>\$ 3,728,171</u>	<u>\$ 6,267,480</u>

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

SASKATOON CO-OPERATIVE ASSOCIATION LIMITED

Record of Sales and Savings

For the year ended January 31, 2011

<u>YEAR</u>		<u>*CASH PAYMENTS TO MEMBERS</u>	<u>SALES</u>	<u>**SAVINGS</u>	<u>%</u>
From Date of Incorporation January 2, 1936 to January 31, 2001					
		-	\$ 1,770,509,019	\$ 55,420,395	3.1%
For the Year Ended January 31,					
	2002	1,844,186	115,006,495	5,921,992	5.1%
	2003	1,816,175	128,477,922	5,344,801	4.2%
	2004	2,117,605	138,346,967	5,890,626	4.3%
	2005	2,228,509	153,648,202	7,358,910	4.8%
	2006	2,715,921	169,815,090	8,863,112	5.2%
	2007	3,197,257	191,997,664	12,139,087	6.3%
	2008	3,823,814	219,093,956	18,629,258	8.5%
	2009	4,453,824	264,879,947	21,380,682	8.1%
	2010	5,206,486	266,608,566	18,138,360	6.8%
	2011	5,042,921	<u>283,258,031</u>	<u>16,012,801</u>	5.6%
			<u>\$ 3,701,641,859</u>	<u>\$ 175,100,024</u>	<u>4.7%</u>

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

** Savings before income taxes and patronage refund to members.

– NOTES –

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