

SHERWOOD CO-OPERATIVE ASSOCIATION LIMITED

DIRECTOR'S REPORT

The first recognized consumer co-operative may have begun in England in 1761 when weavers sold the contents of a bag of oatmeal at reduced prices. By 1830 there were hundreds of co-operatives throughout Great Britain. In 1844, the Rochdale Society of Equitable Pioneers established the 'Rochdale Principles' and these are the principles on which they ran their co-operative – this is also the basis for the modern co-op movement. As the Industrial Revolution forced skilled workers into poverty, tradesmen grouped together to open their own stores, selling products that they could not otherwise afford.

The first co-operative retail was located in Rochdale, England (hence the name Rochdale Boulevard) and sold oatmeal, sugar, butter, flour and candles. In a short period of time, their product line included tea and tobacco and they were known for selling quality products. Co-ops are found in countries all over the world and not only provide retail goods and services, but are formed for agricultural, financial and marketing purposes to name just a few.

Co-operatives are not stagnant bodies but seem to live and breathe as their member's needs develop - Sherwood Co-op is no exception. Starting in 1931 to service members with twine, grease and oil, Sherwood was a vision for our founding pioneers – this vision continues today as we move forward. This past year Sherwood evolved and grew in several ways and tonight we take the time to review our success in 2009.

In 2009 your board was challenged to implement changes in the General Manager position to facilitate a personal accommodation. Through this process the Board re-evaluated our financial position and determined the need to backfill the General Manager position and successfully hired an Interim General Manager, Mr. Ron McClenaghan. Ron's stay with us was brief as he came to us with longer external commitments but we thank him for his input and dedicated work through his term with us. Ron's departure further challenged the board to seek out an interim General Manager to see us through the daily and ongoing operations of our co-op. Our search has brought us to the current interim General Manager of Mr. Allen Merritt who has taken over where Ron left off without disruption to any of our operational, growth or strategic plans. These two gentlemen have many years of experience in the co-operative retailing system and brought with them many ideas and suggestions to help grow and strengthen our retail co-operative. At this time we would like to thank Mr. Ken Krug, our controller, for his managerial support, as well as all of our management and staff, of over 300 people, for their dedicated work to our organization.

Through ongoing commitment and direction from Board and management, sales at Sherwood for 2009 exceeded \$125.6 million with local savings of \$460,900. The year-end net savings after Federated Co-operatives patronage payment was \$5.8 million. Mr. Merritt and Mr. Krug will go into further detail with our year-end results. I would like to highlight some of the other events of this past year.

Our Food Store sales have improved over the past year. Although renovations at Rochdale Crossing started later than planned, we are now looking forward to a fresh look for that store; including a new salad bar and muffin cart with a completely redone interior. Currently the renovated store should be ready to go in mid-June and we look forward to seeing you at our new and improved location. The renovation at The Marketplace on Quance was finished last year and included a new salad bar which is popular with members and customers.

Exciting new programs have been rolled out at both locations including the new "Organic" line of products and the "Cookware" program. A first time "Staff Appreciation Supper" was held for food store employees in early March - we also held meals for staff in other commodities during March and April illustrating to our staff that we truly appreciate their valuable work and connection to our member customers.

Fuel is a key commodity for Sherwood's members and we continue to improve our facilities for your convenience. Renovations have taken place at two of our Gas Bar/C-Store/Car Washes. The inside renovation at Winnipeg St. is complete with the exterior to start shortly.

The Prince of Wales location has also received a similar renovation, however, this year we are pleased to announce the purchase of that facility from Federated Co-operatives who had previously leased the facility to us.

In April, weather permitting, we will begin construction at the new site called Grasslands in the Harbour Landing Subdivision, so look forward to a location in Regina's south-west to serve you soon. In latest Kent marketing report on Regina's fuel market, Sherwood Co-op's gas bars were the top pumpers in the city in three out of the top five sites, with our Prince of Wales site being the number two pumper of fuel and gas in the city.

Our Indian Head store also received a "face-lift" this past year. With new signage, storage area and a clean shopping area we are ready for both the local and "lake" traffic. We look forward to serving this community for fuel, hardware, and lumber requirements. Our Customer Appreciation Day will be held on May 1, in Indian Head.

The Home Centre continued with steady sales in 2009 and was a strong contributor regarding our financial results this past year. Your co-operative is getting ready for some minor renovations at the Home Centre to serve our member/customers better. Our qualified and capable home centre staff is ready to help you with all your do-it-yourself projects, tool requirements, and decorating needs in the coming year.

Sherwood's Board of Directors operates according to an annual calendar of events with various projects, objectives and training commitments throughout the year. The entire Board attends monthly meetings and meets annually for planning sessions, budget and audit meetings and the General Manager Appraisal. Board committees are formed to attend certain obligations including Finance, Governance, Nominations, Image tours and Member Relations. Our Member Relations Committee is currently comprised of Board members and the Member Relations manager. The purpose of this committee is promoting awareness of the co-operative through various programs and projects in and around our community of Regina and Indian Head.

Sherwood Co-op continues its relationship with Riffel High School, Winston Knoll Collegiate, Ranch Ehlro and the Family Service Bureau. These groups do an outstanding job in providing a service to our seniors through the grocery delivery program. Sherwood Co-op Kids Club has a membership of approximately 2700 children who each receive their own membership card, as well as a birthday day card when their special day rolls around. This past February the Kids Club enjoyed the use of the Science Centre and IMAX Theatres.

In 2009, Sherwood Co-op along with Cooper, who was new to our organization in 2008, participated in the Buffalo Days Parade in Regina as well as the parade in Indian Head. Sherwood Co-op has continued its sponsorship for young co-operators at the Co-operative Youth Seminars held each summer in Saskatchewan. This camp leaves young adults with an increased understanding of co-

operatives and the skills and self-confidence to become co-op members, employees and leaders. In 2009 Sherwood re-developed our web site as a new communications tool for the use of our member customers – check out the new look at www.sherwoodco-op.com.

Training and development are valuable to this Board. Federated Co-operatives (our wholesale division) facilitates director training, ensuring elected representatives contribute effectively to the development of their retails. Currently six members have completed their Level I Certificate, three have completed their Level II and six have completed The Essentials of Corporate Governance course. The time and commitment your Board members have illustrated shows their dedication to our co-operative and I would like to thank them for that at this time. At this time we would like to congratulate David Sloan, Ilene Roy and Marj Gavigan on 12 years of service and Roger Petry for 9 years of service to our retail. As well we have one director not seeking re-election – Warren Fry. I would like to thank him for his input at the Board table and we wish him well in the future.

Sherwood's continuing growth and develop for the benefit of our members is a priority for its board of directors, management and employees. At this time we are excited to announce our results for the year ending January 31, 2010. Sales achieved in 2009 exceeded \$125 million, with net savings totalling \$5.8 million. This year the allocation of member's equity is as follows:

6% - pump and bulk fuel

3% - lumber and hardware

3% - foods and confections

The Board has approved a payment of \$343,800 to overage members and a general cash repayment of 35% of the current year's allocation to all of Sherwood's members. This amount totals approximately \$968,000, bringing the total cash returned to our Regina area \$1.2 million.

This is our third continuous year of repaying cash back to our membership and truly illustrates a new slogan that we have used over the past few months "Moving ahead by giving back". As we move into the 2010's and longer we believe that Sherwood will become a stronger retail for our members by returning benefits both to those members and to our community.