

OTTER CO-OP 2021

ANNUAL REPORT



otterco-op.crs
📍 @ottercoop

OUR CO-OP

IT PAYS TO BE A MEMBER

Co-operatives have been playing an integral part in their communities since their inception - it's simply a different way of doing business! A Co-op is not a store, an office, or a town. A Co-op is it's members. It is the team that works at our locations and the guests that shop there, all those who own an equal stake in the business and share the profits.

What is a Co-op?

Co-operatives, as opposed to corporations, are owned by their members who each have an equal stake in the business. Co-operatives are therefore responsible for representing the interests of their members who, in turn, can vote on big business decisions as well as the Co-op Board of Directors. Membership is ownership, and each member gets a vote.

What is Otter Co-op?

Otter Co-op is the locally owned and operated Co-op founded in Aldergrove, BC. As we have grown, we have expanded with locations throughout the Fraser Valley and BC Interior. Our member/owners are the people who live in these communities and purchase a membership for the one-time fee of \$10. They vote on who they would like our Board of Directors to be, share in the profits we make, and drive our decisions to invest in the communities we all call home.

What is the Co-op Retailing System?

Otter Co-op is entirely local and, just as our member-owners make up Otter, so too is Otter part of a larger network of Co-operatives called the Co-operative Retailing System (CRS). Every individual Co-op in Western Canada owns Federated Co-operatives Limited which is a wholesale, manufacturing, marketing and administrative Co-operative. Together, we are able to expand our buying power and source, produce, and distribute a large variety of products to our locations. While we are part of a bigger system, we remain locally owned and operated, which means our business decisions are done in the interest of our members right here at home.

Together, we are a profitable business. Together, we give back to our community.
Together, we are Co-op.



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OUR MISSION

Provide quality products and services in our communities to ensure growth, sustainability and member satisfaction by delivering exceptional service and value.

OUR VISION

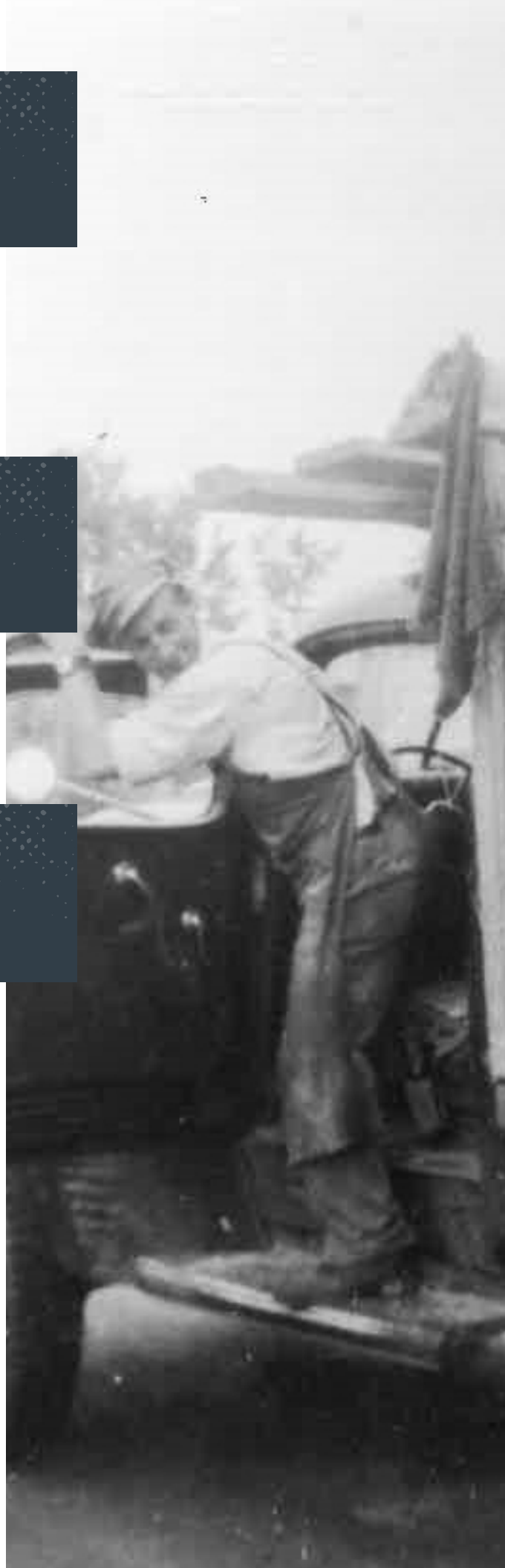
To be the consumer's first choice by connecting community, service, satisfaction and profit sharing where we live, work and play.

OUR VALUES

INTEGRITY

COMMUNITY

EXCELLENCE



ACCOMPLISHMENTS

First and foremost, we are extremely proud of the work our team has done in keeping our locations open and serving our guests throughout the past two years of economic challenges and the effects of the pandemic. A huge thank you to the team that comes to work every day to provide products and services for our communities, despite the turmoil going around. Our team is the backbone of our success this past challenging year.

Here we grow again! Otter Co-op successfully purchased eighteen Liquor Barn and Liquor Depot stores at the beginning of our 2021 fiscal year and have completed the transition of the signage and POS systems for these stores. These locations are spread throughout the Lower Mainland and Okanagan and grew our number of liquor stores to twenty-four. Throughout the year, we also acquired the Lickman Liquor Store in Chilliwack, and right at the end of our fiscal year, purchased a premium liquor store, "Monashee's", in Vernon. This brings our total to twenty-six locations, and Otter is proud to be the largest private retailer of liquor in the province.

These strategic acquisitions align with Otter's long-term goal of growing and improving our current diversified business lines, and to continue to provide membership benefits and returns to our member/owners. We are proud to continue to grow and offer new services for our membership, increasing our brand presence in the Metro Vancouver, Fraser Valley and Okanagan-Thompson areas while giving our member/owners and guests the opportunity to shop local, support the Co-operative business model and enjoy increased opportunities for profit sharing.

The board continues to review opportunities to strengthen Otter's sales and bottom line return for our member/owners, with a long term view to the future. This past year another five gas bar projects were approved, two cardlocks, and a fourth grocery store. The board is also working with Federated Co-operatives Limited on acquiring several other gas bars located throughout our trading area.

We are excited to be celebrating our 100th year in existence, fully owned and operated in BC, and look forward to the next 100 years and beyond!



CEO'S REPORT

JACK NICHOLSON, CEO

I am pleased to report that despite the economic turmoil caused by the global pandemic, Otter Co-op had a very successful year in sales during 2021, ending the year at a record \$375 million. This is \$129 million above our previous year, with significant growth in our liquor division contributing to a large part of the growth. Thank you to the entire team at Otter for their hard work and dedication during this past year of continued unknowns and ever changing COVID rules and regulations.

Otter was able to continue to grow during the year, with the acquisition and brand change at eighteen Liquor Barn and Liquor Depot stores, as well as the acquisition of the Lickman Liquor and Monashee's Liquor Store.

Your board and management also worked on several different acquisition and new location opportunities throughout the year and we look forward to the future of Otter as we continue to build and expand our footprint, and bring additional services to our member/owners in the communities in which we operate.

After a loyalty payment of \$4.7 million from purchasing from our wholesaler, and a patronage return of \$6.5 million from Federated Co-operatives Limited, along with a one time gain on the sale of assets of \$3.8 million and a local bottom line of \$3 million, our total net savings before income tax amounts to \$18 million.

Total Food, Pharmacy and General Merchandise sales were \$50.4 million; a decrease due to less panic buying that was experienced the previous year.

The Feed Division, which includes plants in both Aldergrove and Armstrong, ended the year with sales of \$56.6 million; an increase of 15% due to increased pricing of commodities and increased tonnage.

The Bulk Petroleum Division finished the year with sales of \$57.8 million. This includes sales from both the Aldergrove Bulk and the Chilliwack Bulk Plant and Cardlock. This is an increase of 51%, due to significantly higher pricing throughout 2021.

Our Gas Bar Division also saw sales of \$117.3 million, growth of 31%. This was due to economic impacts that contributed to street pricing increase in fuel throughout the year.

2021 was our third full year in the liquor business, and we achieved sales of \$92.8 million. This is an increase of over \$77 million that came as a result of our growing brand and the acquisition of twenty new sites in 2021. These added stores continue to produce and add value and bottom line to Otter and our overall earnings.

Despite COVID and the challenges of floods, fires and ever changing restrictions, your Otter Co-op was able to maintain profitability, achieve a record year of sales and bottom line, and gain 6,600 new member/owners. I am very proud of the work achieved, and that your Co-operative continues to have the ability to return our profits back to you and our communities in which we live, work and play. For our member/owners, the general equity and cash repayment for the 2021 fiscal year will be \$5.9 million. That is cash and equity going right back into our communities in which we serve. This is on top of the over \$450,000 in community donations, sponsorships, scholarships and support that Otter continues to provide.

Otter Co-op continues to focus on training and development of our team and are proud to report that thirty-five internal team members were able to take on promotions and higher roles in the organization over the last year. We continue to be proud of our team and all they are able to accomplish.

It is rewarding to know that our loyal team including the Board of Directors, Management, Employee Team, and Members, remain the key to making Otter Co-op the growing, diverse, and viable business it is today. Our team is proud of the accomplishments achieved, how we were able to adapt to ever-changing COVID mandates, protective restrictions, and additional workplace rules, and to keep our doors open as we continued to serve you.

I sincerely thank you for your support and continue to look forward to our opportunities and growth in the future.

Jack Nicholson
CEO



BOARD OF DIRECTORS



ANGIE MCDOUGALL
PRESIDENT



CHARLIE FOX
VICE PRESIDENT



DEANNA HORN
SECRETARY



BRYAN MCPHERSON
DIRECTOR



IAN ELLIOT
DIRECTOR



JON PLETT
DIRECTOR



CARLO BONETTI
DIRECTOR



DARWIN OSARCHUK
DIRECTOR



SHANNON TODD BOOTH
DIRECTOR

PRESIDENT'S REPORT

ANGIE MCDOUGALL, BOARD PRESIDENT

100 years! Yes, Otter Co-op is celebrating a century of serving this community.

As I am finishing my last year on the board, I have been blessed to have represented our members for the past nine years and am proud to have been part of our tremendous growth and diversification. It gives me the utmost pleasure and pride in our team and board to be able to share some of our numbers with you.

First, we finished the year 2021 with record sales of \$375 million! Bottom line was a record \$18 million before income tax, with after tax savings of \$17 million. The entire team across our lines of products deserve our praise and support. We must remember this was still in the pandemic, so they faced a multitude of challenges. Well done to our senior leadership team, visionary Jack Nicholson (CEO), Eduardo Fuentes (CFO) and Mike Will (VP of Operations). Kudos to all of our team leaders and team members - they make such a difference in our member's lives.

I will share with you some of the acquisitions the team welcomed and made a part of the Otter family in 2021 and early 2022.

Your board approved the purchase of twenty-one new liquor stores locations, one of which we sold to Armstrong. Now, Otter Co-op is represented by Angry Otter stores from North Vancouver to Vernon. Just prior to year end, we purchased the 10th largest private liquor store in B.C., which is in Vernon, and we should see sales of \$12 million per year from this location alone. The board also approved five new gas bars, two cardlocks and one new food store, which will hopefully begin construction this year. Otter's footprint will be serving the Lower Mainland and the Okanagan.

Your board attended the Fall Conference and Spring Annual General Meeting with Federated Co-operatives Limited virtually, though our own board meetings were mostly in person with COVID protocols in place, with the exception of two virtual meetings. Your board continues to address the long-term direction and diversification of investment of the Co-op to serve our members in the years ahead.

Our election process was changed this year and will continue to evolve as our territory and membership grows. Your comments on the election process have been addressed and we hope to fine tune the process for next year.

In 2021 Otter had 45,027 active members and welcomed 6,600 new members to shop and enjoy the benefits of ownership with Otter.

It gives me great pleasure to be able to announce the election of Bev Dornan and Gus Hartl as new members of the board, and welcome back Deanna Horn starting her second three-year term. Our new board members bring a wealth of Co-op knowledge and insight. I would like to thank Darwin Osarchuk for his contribution and direction over the past six years. You will be missed. A big thank you also, to Merilee McAuley for all the support she provides, not just to the senior leadership team, but also to the entire board of directors!

My last official act will be chairing the AGM being held virtually. Hopefully next year we can all meet in person. Thank you on behalf of the entire board for your continued support of Otter Co-op.

Angie McDougall
Board President



AUDITOR'S REPORT

To the Members of Otter Farm & Home Co-operative:

Opinion

We have audited the financial statements of Otter Farm & Home Co-operative (the "Co-operative"), which comprise the balance sheet as at February 28, 2022, and the statements of net savings, retained savings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at February 28, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Co-operative in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Co-operative or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Abbotsford, British Columbia

April 20, 2022

MNP LLP

Chartered Professional Accountants

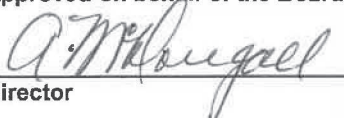
FINANCIAL REPORTS

Otter Farm & Home Co-operative Balance Sheet

As at February 28, 2022
(\$ in thousands)

	2022	2021
Assets		
Current		
Cash and cash equivalents	3,424	11,460
Accounts receivable	12,365	7,485
Income taxes recoverable	831	-
Inventory	24,098	14,316
Prepaid expenses	824	365
	41,542	33,626
Investments	30,098	28,794
Property, plant and equipment	74,422	64,417
Other assets	91,547	13,548
	237,609	140,385
Liabilities		
Current		
Accounts payable	39,213	19,343
Income taxes payable	-	677
Customer prepaid accounts	97	48
Current portion of long-term debt	8,657	4,839
	47,967	24,907
Long-term debt	94,412	34,583
	142,379	59,490
Commitments		
Subsequent events		
Members' Equity		
Share capital	28,821	25,636
General reserve and retained savings	66,409	55,259
	95,230	80,895
	237,609	140,385

Approved on behalf of the Board of Directors


Director

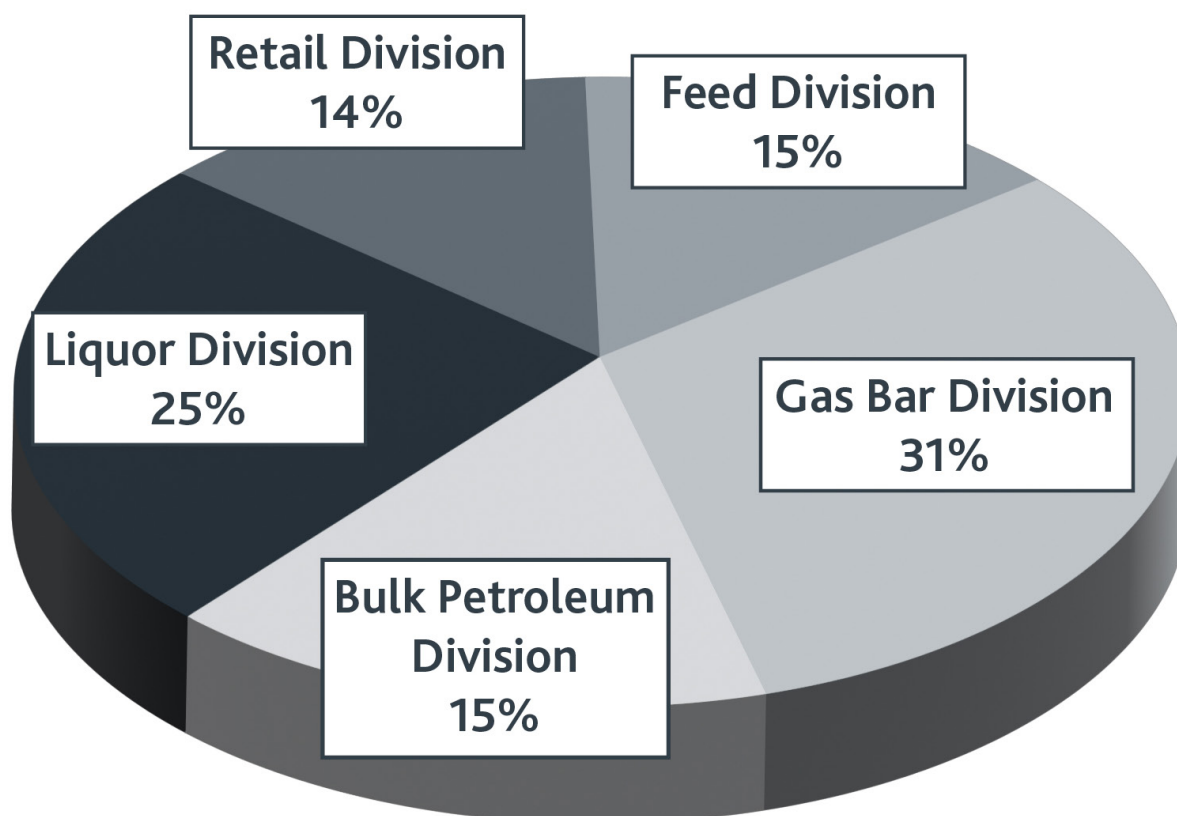

Director

Otter Farm & Home Co-operative**Statement of Net Savings**

For the year ended February 28, 2022
(\$ in thousands)

	2022	2021
Sales	375,079	245,676
Cost of sales	318,761	207,100
Gross margin	56,318	38,576
Operating expenses	46,948	35,551
Savings from operations	9,370	3,025
Other items		
Net interest	(2,512)	(696)
Patronage refunds	6,528	988
FCL loyalty payment	4,690	4,541
	8,706	4,833
Savings before income taxes	18,076	7,858
Income taxes	1,074	826
Net savings	17,002	7,032

SALES BREAKDOWN BY DIVISION



2021 AT A GLANCE

HIGHLIGHTS

\$375 MILLION IN SALES

\$238 MILLION IN ASSETS

6,600 NEW MEMBERS

\$5.9 MILLION RETURNED TO MEMBERS IN PATRONAGE

\$450,000 IN DONATIONS, SCHOLARSHIPS AND SPONSORSHIPS



PATRONAGE

OUR PROFITS ARE YOUR PROFITS

Allocations of your 2021 Otter Co-op membership purchases are as follows:

Retail - General Merchandise & Food	3.00%
Pharmacy (RX)	1.00%
All Feed Mills & Pitt Meadows	2.00%
Oils & Lubricants	3.50%
Clear & Dye Diesel	5¢/L
Liquor	3.00%
Clear & Dye Gas	5¢/L
Propane	4.00%

**TOTAL PATRONAGE ALLOCATION FOR THE YEAR - \$5.9 MILLION.
70% IN CASH AS PER HISTORICAL CASH RATES.**

GIVING BACK

HIGHLIGHTS INCLUDE

\$25,000

\$25,000 was donated, in partnership with Federated Co-operatives Limited, to help fund Langley Environmental Partners Society's Urban Agriculture Project at the Derek Doubleday Arboretum as part of our Community Spaces Program.

\$21,986

\$2,630 was donated in cash for local food banks through food bank drives. In addition, our Food Stores sold over \$19,356 in product from Hunger Bag sales.

\$30,000

\$30,000 was donated to Langley Hospice for their new 15-bed residence in partnership with Ashdown Capital.

\$18,214

\$18,214 was donated to BC Children's Hospital and Canuck Place from our Fuel Good Day Promotion.

\$155,217

\$155,217 worth of food products was donated through our Food Donation Program.

\$36,553

\$36,553 was donated in response to the multiple emergencies B.C. experienced in 2021. A collective \$3,726 was donated to Sageview Ranch, O'Keefe Ranch Emergency Shelter, BC Livestock Kamloops and The Horse Barn in response to the Wildfires. \$32,099 was donated to Canadian Red Cross Flood Relief and \$727 was donated in gas to a member who donated a full truck of feed to flood victims.

FLOOD RELIEF DONATION



HUNGER BAGS DONATION



FUEL GOOD DAY DONATION

WE ARE : MEMBERS
WE ARE : OWNERS
WE ARE : CO-OP



Otter



OTTER
FARMERS
INSTITUTE

COMING SOON

MISSION FOOD STORE & GAS BAR
CACHE CREEK & MERRITT CARDLOCKS
LAKE COUNTRY, KELOWNA & KAMLOOPS GAS BARS