STRONGER. TOGETHER.

GET IT. UFA DONE.

2020 MEMBER REPORT

MESSAGE TO MEMBERS

"IN 2020, WE FACED UNPRECEDENTED CHALLENGES. THE WORLD INTRODUCED SOCIAL DISTANCING. BUT WE FOUND NEW WAYS TO CONNECT. IN A TIME OF LOCKDOWNS, OUR SITES REMAINED OPEN. AND WE ARE GRATEFUL TO OUR MEMBERS FOR THEIR SUPPORT. IN A YEAR OF CHANGE, ONE THING REMAINED THE SAME: UFA, OUR TEAM AND OUR MEMBERS ARE TRULY STRONGER TOGETHER."

KEVIN HOPPINS, BOARD CHAIR

SCOTT BOLTON, PRESIDENT & CEO

VISION

TO BE RECOGNIZED AS THE MOST TRUSTED AND RELIABLE SUPPLIER OF PETROLEUM, CROP, LIVESTOCK, BUILDING PRODUCTS AND SERVICES IN THE MARKETS WE SERVE.

2020 OVERVIEW

APPROXIMATELY

120,000

MEMBERS AND

40,000

ELIGIBLE VOTERS

2020 OVERVIEW

34
FARM & RANCH SUPPLY STORES

6
FERTILIZER DEPOTS

111
PETROLEUM AGENCIES

1
AG DEPOT

2020 OVERVIEW

950

EMPLOYEES

46

AGENTS

"WORK ON THE FARM DOESN'T STOP FOR A PANDEMIC. AGRICULTURE IS AND ALWAYS WILL BE AN ESSENTIAL SERVICE, AND THIS WAS NEVER MORE EVIDENT THAN IN 2020.

AS A CO-OPERATIVE, UFA IS A PROUD ADVOCATE FOR OUR MEMBERS, OUR INDUSTRY AND OUR POTENTIAL FOR GROWTH."

KEVIN HOPPINS, BOARD CHAIR

LEADING. TOGETHER.

UFA'S BOARD OF 11 DIRECTORS IS PROUD TO COLLECTIVELY SERVE IN THE INTEREST OF MEMBERS IN ALBERTA, BRITISH COLUMBIA AND SASKATCHEWAN.

VOICES. REPRESENTED.

OUR 42 DELEGATES LIVE AND WORK IN THE COMMUNITIES WE SERVE. THEY ARE ELECTED BY ELIGIBLE VOTING MEMBERS TO ACT AS THEIR REPRESENTATIVE VOICE AND, IN TURN, ELECT THE BOARD OF DIRECTORS.

COMMUNITIES. SERVED.

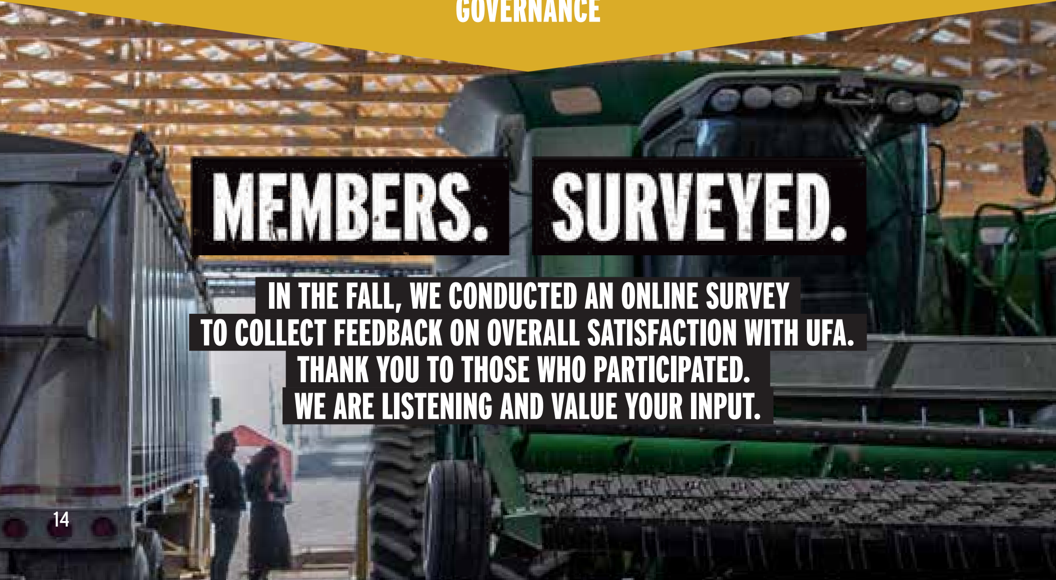
TOGETHER, OUR BOARD AND DELEGATES REPRESENT MEMBERS IN 108 COMMUNITIES SERVED BY UFA FARM & RANCH SUPPLY STORES, PETROLEUM AGENCIES AND CARDLOCKS, FERTILIZER PLANTS AND AN AG DEPOT.

INDUSTRY. ADVOCATED.

IN 2020, UFA CHAIRED THE AG COMMITTEE REPORTING TO THE PREMIER OF ALBERTA'S ECONOMIC RECOVERY COUNCIL TO ENSURE ESSENTIAL SERVICES REMAINED AVAILABLE, AND THE AGRICULTURAL INDUSTRY A FOCUS.

STRATEGY. PROPOSED.

AS A PRINCIPAL AUTHOR, UFA COLLABORATED WITH INDUSTRY LEADERS AND THE BUSINESS COUNCIL OF ALBERTA TO PREPARE A STRATEGIC PLAN TO GROW AGRICULTURE AND FORESTRY IN ALBERTA WHICH WAS PRESENTED TO PREMIER KENNEY AND HIS ECONOMIC RECOVERY COUNCIL.



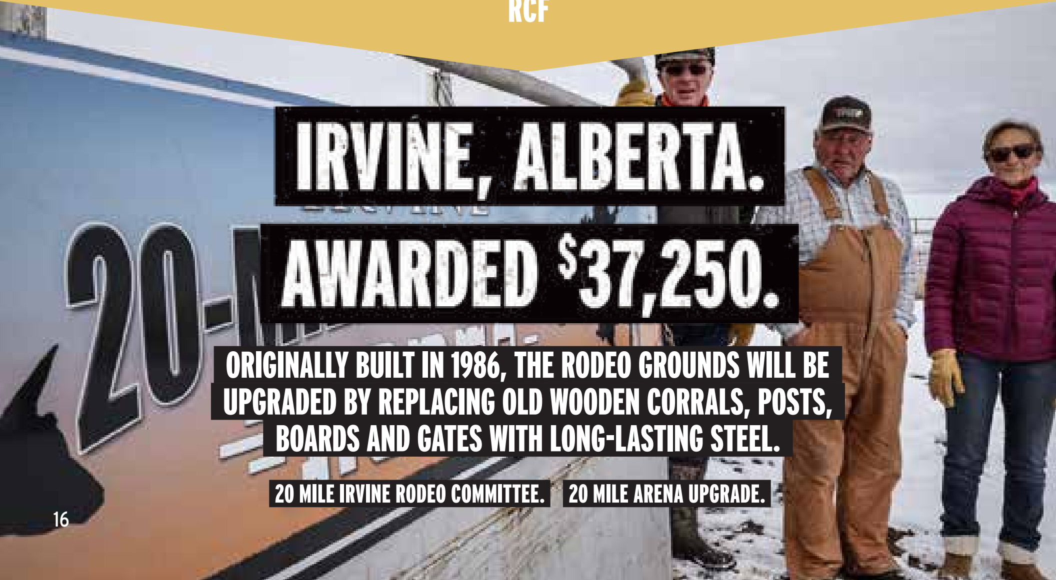
MEMBERS. SURVEYED.

IN THE FALL, WE CONDUCTED AN ONLINE SURVEY
TO COLLECT FEEDBACK ON OVERALL SATISFACTION WITH UFA.
THANK YOU TO THOSE WHO PARTICIPATED.
WE ARE LISTENING AND VALUE YOUR INPUT.

COMMUNITY PROJECTS. FUNDED.

THE RURAL COMMUNITIES FOUNDATION RECEIVED 150 SUBMISSIONS FOR PROJECTS THAT SUPPORT EITHER RECREATIONAL OR EDUCATION EVENTS AND ACTIVITIES, OR CULTURAL FACILITIES AND PROGRAMS. OF THESE SUBMISSIONS, FOUR COMMUNITIES WERE SELECTED TO RECEIVE A TOTAL OF $100,000 IN COMBINED FUNDING: CASTOR, IRVINE, PINCHER CREEK AND VEGREVILLE.

Rural Communities Foundation UFA
Enriching education, recreation & culture

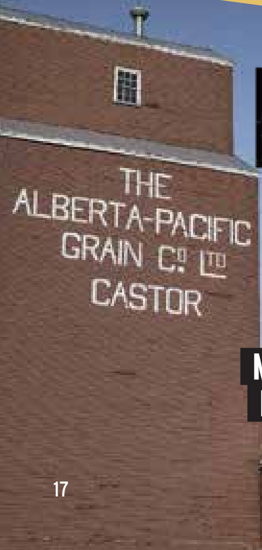


IRVINE, ALBERTA.

AWARDED $37,250.

ORIGINALLY BUILT IN 1986, THE RODEO GROUNDS WILL BE UPGRADED BY REPLACING OLD WOODEN CORRALS, POSTS, BOARDS AND GATES WITH LONG-LASTING STEEL.

20 MILE IRVINE RODEO COMMITTEE. **20 MILE ARENA UPGRADE.**

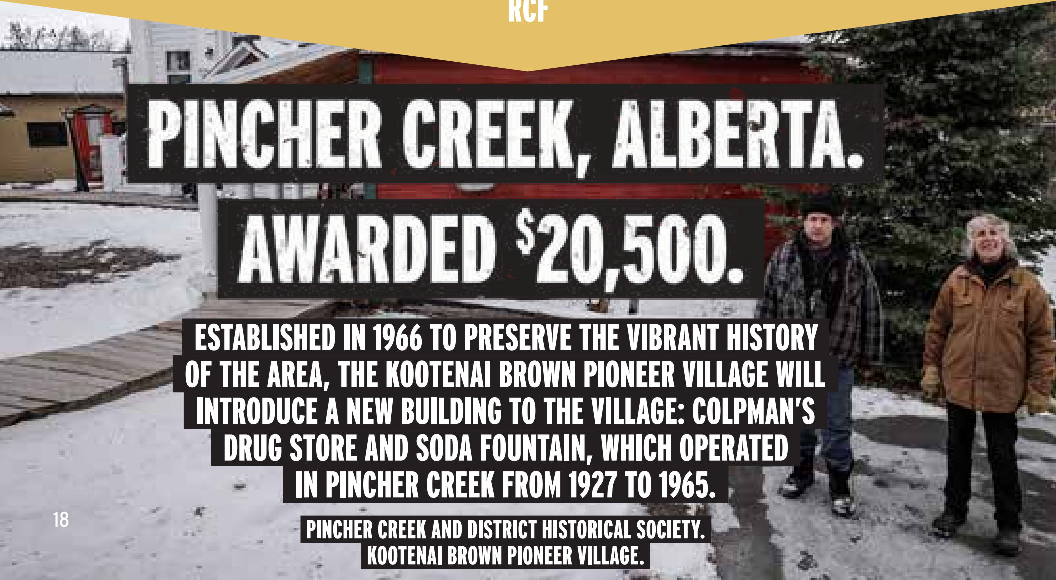


CASTOR, ALBERTA.

AWARDED $27,250.

FUNDS WILL GO TOWARDS RESTORING AND MAINTAINING THE ALBERTA-PACIFIC GRAIN CO. LTD. ELEVATOR, ONE OF ALBERTA'S OLDEST ELEVATORS, BELIEVED TO BE BUILT IN 1910.

CASTOR AND DISTRICT MUSEUM SOCIETY.
HERITAGE MUSEUM RENOVATIONS.



PINCHER CREEK, ALBERTA.

AWARDED $20,500.

ESTABLISHED IN 1966 TO PRESERVE THE VIBRANT HISTORY OF THE AREA, THE KOOTENAI BROWN PIONEER VILLAGE WILL INTRODUCE A NEW BUILDING TO THE VILLAGE: COLPMAN'S DRUG STORE AND SODA FOUNTAIN, WHICH OPERATED IN PINCHER CREEK FROM 1927 TO 1965.

PINCHER CREEK AND DISTRICT HISTORICAL SOCIETY.
KOOTENAI BROWN PIONEER VILLAGE.

VEGREVILLE, ALBERTA.

AWARDED $15,000.

THE ROTARY CLUB OF VEGREVILLE PLANS FOR A SKATEPARK AND ADJOINING FAMILY PARK, INCLUDING WALKING TRAILS, BENCHES, PICNIC TABLES AND SENSORY WALLS WHICH ENCOURAGE DEVELOPMENT IN CHILDREN AND ADULTS WITH SPECIAL NEEDS THROUGH TOUCH AND SMELL.

ROTARY CLUB OF VEGREVILLE.
VEGREVILLE ROTARY SKATEPARK.

"OVER THE YEARS, UFA HAS FOCUSED ON INVESTING WISELY – IN OUR BUSINESS, IN OUR PEOPLE, AND IN THE PRODUCTS AND SERVICES ESSENTIAL TO OUR MEMBERS. THIS GAVE STRENGTH TO OUR BALANCE SHEET AND RESILIENCY TO OUR BUSINESS DURING THE OUTBREAK OF COVID-19."

FRED THUN, EXECUTIVE VICE PRESIDENT AND CFO

$14.2 M

2020 PATRONAGE DECLARED.

$1.2 B

REVENUE.

COMPARED TO $1.6 B IN 2019.

$64 M

EBITDA*.

COMPARED TO $70 M IN 2019.

*Earnings Before Interest, Tax, Depreciation, and Amortization.

$181 M

GROSS MARGIN.

COMPARED TO $189 M IN 2019.

FINANCIAL PERFORMANCE

$7 M*

NET INCOME.

COMPARED TO $34 M IN 2019.

*After $14.2 M patronage declaration.

8.1%

RETURN ON INVESTED CAPITAL (ROIC)*.

COMPARED TO 10.7% IN 2019.

*ROIC is an important financial measure that shows the percentage return UFA earns from capital invested in the business.

$367 M

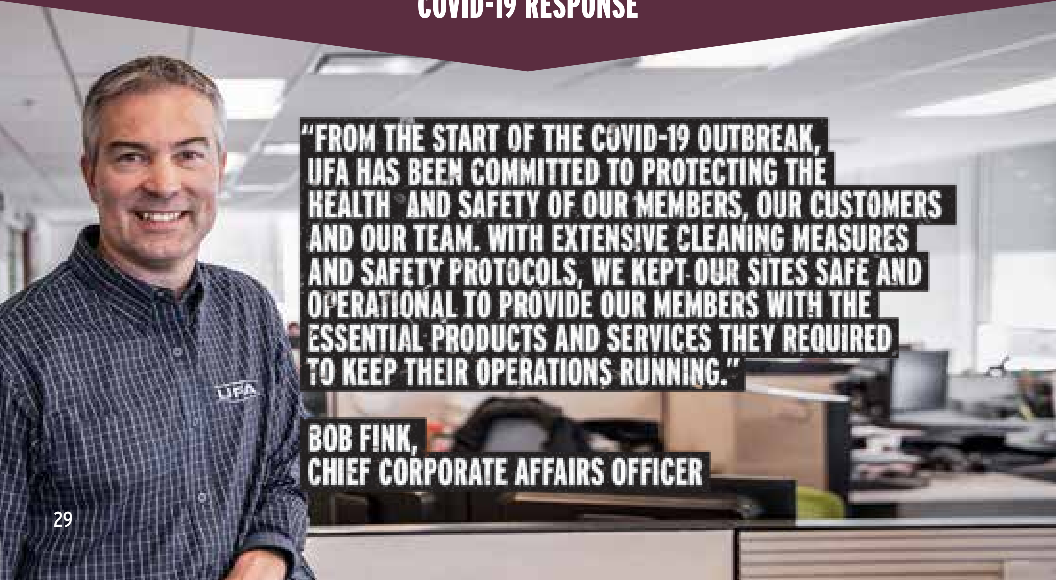
AGRIBUSINESS REVENUE.

COMPARED TO $346 M IN 2019.

1.1 B

LITRES SOLD.

COMPARED TO 1.2 B IN 2019.



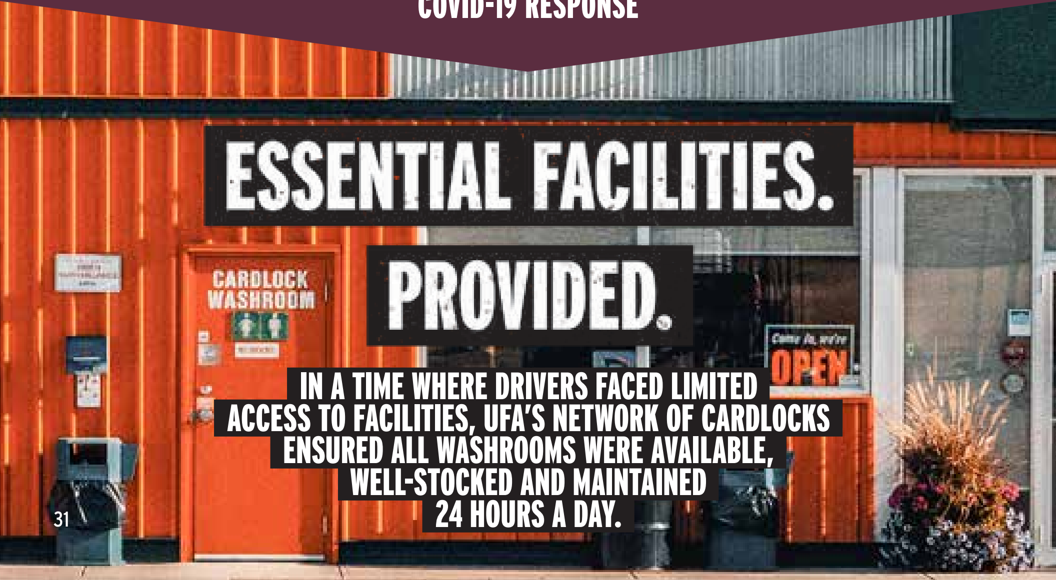
"FROM THE START OF THE COVID-19 OUTBREAK, UFA HAS BEEN COMMITTED TO PROTECTING THE HEALTH AND SAFETY OF OUR MEMBERS, OUR CUSTOMERS AND OUR TEAM. WITH EXTENSIVE CLEANING MEASURES AND SAFETY PROTOCOLS, WE KEPT OUR SITES SAFE AND OPERATIONAL TO PROVIDE OUR MEMBERS WITH THE ESSENTIAL PRODUCTS AND SERVICES THEY REQUIRED TO KEEP THEIR OPERATIONS RUNNING."

BOB FINK,
CHIEF CORPORATE AFFAIRS OFFICER

ESSENTIAL SERVICES. DECLARED.

UFA STRINGENTLY FOLLOWED ALL RECOMMENDATIONS, GUIDELINES AND RESTRICTIONS SET FORTH BY MUNICIPAL AND PROVINCIAL AUTHORITIES TO ENSURE ALL SITES REMAINED OPEN.

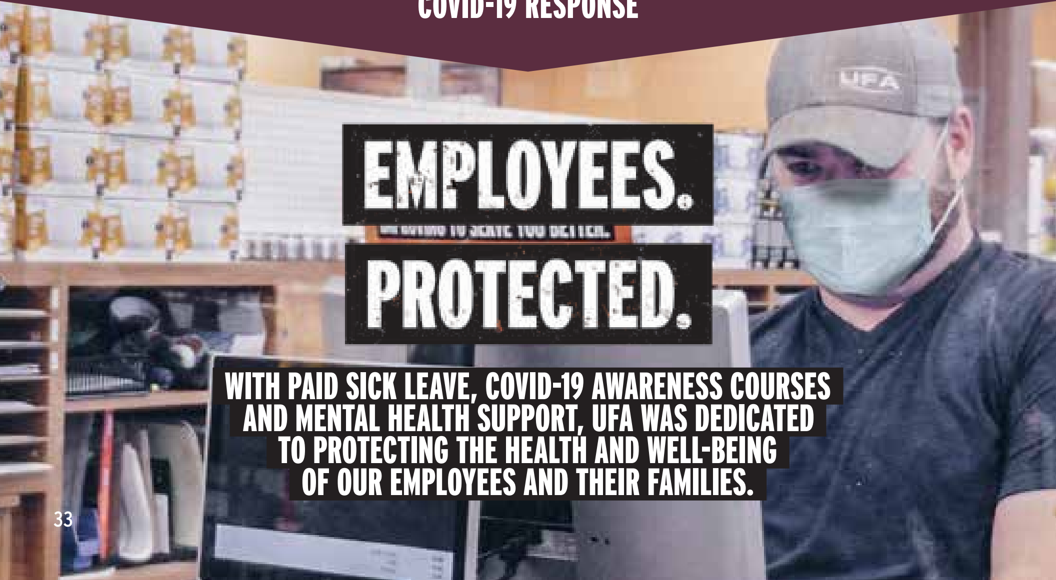
ESSENTIAL FACILITIES. PROVIDED.



IN A TIME WHERE DRIVERS FACED LIMITED ACCESS TO FACILITIES, UFA'S NETWORK OF CARDLOCKS ENSURED ALL WASHROOMS WERE AVAILABLE, WELL-STOCKED AND MAINTAINED 24 HOURS A DAY.

SAFETY MEASURES. ENHANCED.

PLEXI-BARRIERS, SOCIAL DISTANCING MARKERS AND ENHANCED CLEANING MEASURES WERE INTRODUCED TO KEEP OUR MEMBERS AND OUR TEAM SAFE.

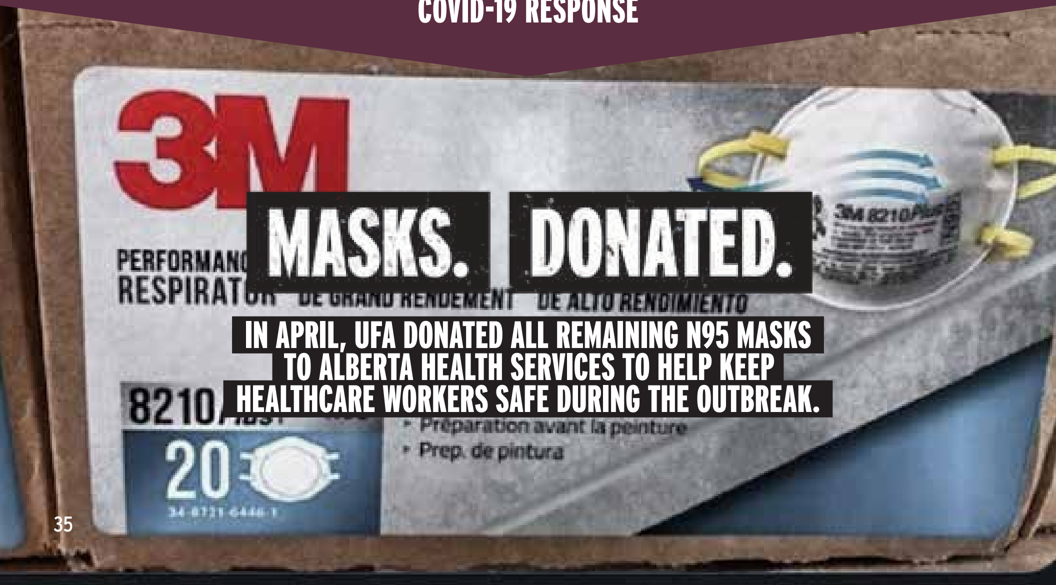


EMPLOYEES. PROTECTED.

WITH PAID SICK LEAVE, COVID-19 AWARENESS COURSES AND MENTAL HEALTH SUPPORT, UFA WAS DEDICATED TO PROTECTING THE HEALTH AND WELL-BEING OF OUR EMPLOYEES AND THEIR FAMILIES.

ESSENTIAL WORKERS. RECOGNIZED.

IN RECOGNITION OF THE ADDITIONAL EFFORTS REQUIRED FROM OUR FRONT-LINE TEAM, UFA PROVIDED A BONUS TO OUR FRONT-LINE RETAIL AND PETROLEUM WORKERS.



MASKS. DONATED.

IN APRIL, UFA DONATED ALL REMAINING N95 MASKS TO ALBERTA HEALTH SERVICES TO HELP KEEP HEALTHCARE WORKERS SAFE DURING THE OUTBREAK.

PPE KITS. PREPARED.

UFA VOLUNTEERS JOINED ALBERTA MOTOR TRANSPORT ASSOCIATION (AMTA) AND OTHER INDUSTRY PARTNERS AND SPONSORS TO ASSEMBLE 20,000 PERSONAL PROTECTIVE EQUIPMENT (PPE) KITS FOR COMMERCIAL TRUCK DRIVERS WHO CONTINUED TO HAUL AND DELIVER ESSENTIAL GOODS.

FRONT-LINE. APPRECIATED.

UFA SINCERELY THANKS OUR FRONT-LINE TEAMS FOR THEIR DEDICATED EFFORTS DURING THE COVID-19 PANDEMIC. THANK YOU FOR KEEPING OUR SITES AND OUR MEMBERS SAFE.

THIS PAST YEAR DEMONSTRATED THE IMPORTANCE AND OUR RELIANCE ON TECHNOLOGY. WE SAW SIGNIFICANT DIGITAL ACCELERATION WITH OUR CUSTOMERS, MEMBERS AND OUR EMPLOYEES. WE ARE FORTUNATE TO HAVE BUILT A STRONG TECHNOLOGICAL FOUNDATION AT UFA, THAT PROVIDES THE OPPORTUNITY FOR FLEXIBILITY; ENHANCEMENT AND GROWTH."

LISA KISSICK, VP, INFORMATION TECHNOLOGY

SHOPPING. ENHANCED.

A NEW POINT-OF-SALE SYSTEM WAS INTRODUCED AT THE START OF 2020 TO ALL SITES IN OUR NETWORK TO STREAMLINE THE OVERALL SHOPPING EXPERIENCE.

TEAM. CONNECTED.

FROM THE FIELD TO THE OFFICE, OUR TEAM REMAINED CONNECTED, EVEN WHILE WORKING REMOTELY, THROUGH THE USE OF VIRTUAL TOOLS AND TECHNOLOGY.

ECOMMERCE. LAUNCHED.

IN DECEMBER, UFA WAS PLEASED TO INTRODUCE AN ONLINE SHOPPING PLATFORM WHERE YOU CAN ORDER AND PAY ONLINE, THEN PICK UP YOUR PURCHASE AT YOUR PRE-SELECTED UFA LOCATION.

"UFA WAS CREATED BY FARMERS FOR FARMERS. AND THAT REMAINS TRUE TODAY. OUR FOCUS IS PROVIDING THE PRODUCTS OUR MEMBERS WANT, WITH THE EXPERTISE AND SERVICE THEY VALUE."

GLENN BINGLEY, VP, AGRIBUSINESS AND SUPPLY CHAIN

$140 M

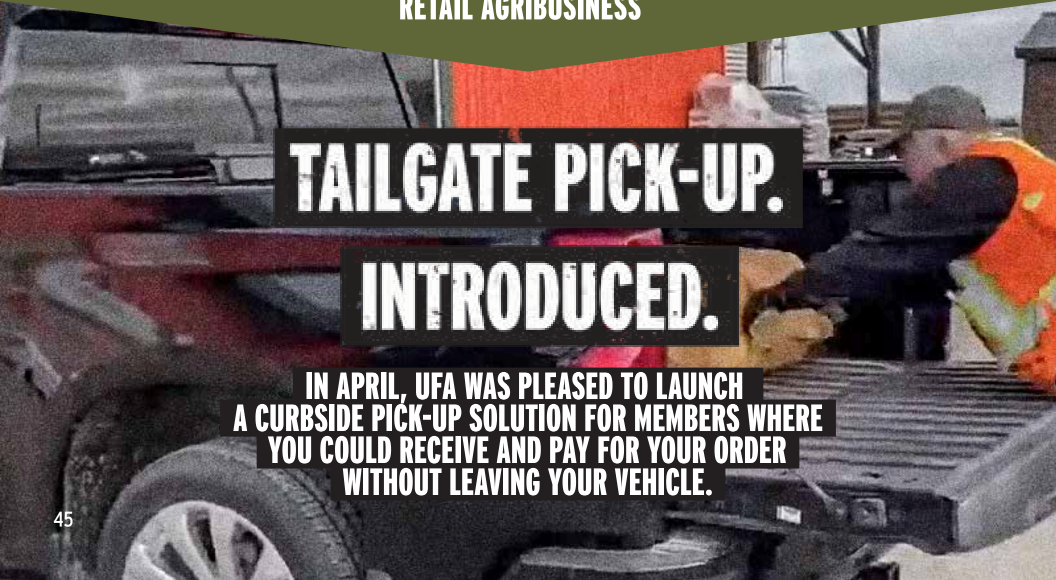
RETAIL SALES.

COMPARED TO $127 M IN 2019.

$42 M

RETAIL GROSS MARGIN.

COMPARED TO $38 M IN 2019.



TAILGATE PICK-UP. INTRODUCED.

IN APRIL, UFA WAS PLEASED TO LAUNCH A CURBSIDE PICK-UP SOLUTION FOR MEMBERS WHERE YOU COULD RECEIVE AND PAY FOR YOUR ORDER WITHOUT LEAVING YOUR VEHICLE.

KN95 MASKS. SECURED.

WITH THE OVERWHELMING DEMAND FOR N95 MASKS, UFA WORKED DILIGENTLY TO FIND A SUITABLE ALTERNATIVE AND BEGAN SELLING KN95 MASKS AT COST IN MAY.

PLASTICS. REDUCED.

LAST SUMMER, WE MADE THE SWITCH FROM PLASTIC BAGS TO NEW BIODEGRADABLE AND RECYCLABLE OFFERINGS: PAPER AND REUSABLE BAGS. THE CHOICE IS YOURS!

FARMERS' MARKET. INTRODUCED.

UFA WAS PROUD TO INTRODUCE AN EXTENDED FARMERS' MARKET IN HIGH RIVER EACH SATURDAY FROM EARLY SEPTEMBER TO THANKSGIVING.

"LAST YEAR, OUR TEAM STEPPED UP TO MAKE SURE OUR MEMBERS HAD THE PRODUCTS THEY NEEDED, WHEN THEY NEEDED THEM MOST. WE WERE PROUD TO DELIVER ON OUR PROMISE OF BEING THERE TO SUPPORT OUR FARMERS. WHILE THERE WILL LIKELY BE NEW CHALLENGES TO FACE IN THE YEAR AHEAD, WE WERE THERE TO HELP OUR MEMBERS GET THE JOB DONE IN 2020 AND WE WILL BE THERE IN 2021. IT'S MORE THAN OUR BRAND, IT'S OUR PROMISE."

ROB GIGUERE, VP, LIVESTOCK SERVICES AND MARKET STRATEGY

COMMERCIAL AGRIBUSINESS

$227 M

COMMERCIAL SALES.

COMPARED TO $219 M IN 2019.

$27 M

GROSS MARGIN.

COMPARED TO $26 M IN 2019.


SOLUTIONS. DELIVERED.
AS THE EXCLUSIVE CANADIAN SUPPLIER OF MICRO TECHNOLOGIES FEEDLOT SOLUTIONS, WE HELP PRODUCERS REDUCE FEED COST AND INCREASE EFFICIENCY, WHILE OFFERING SUPERIOR TRACEABILITY.

CREDIT. OFFERED.

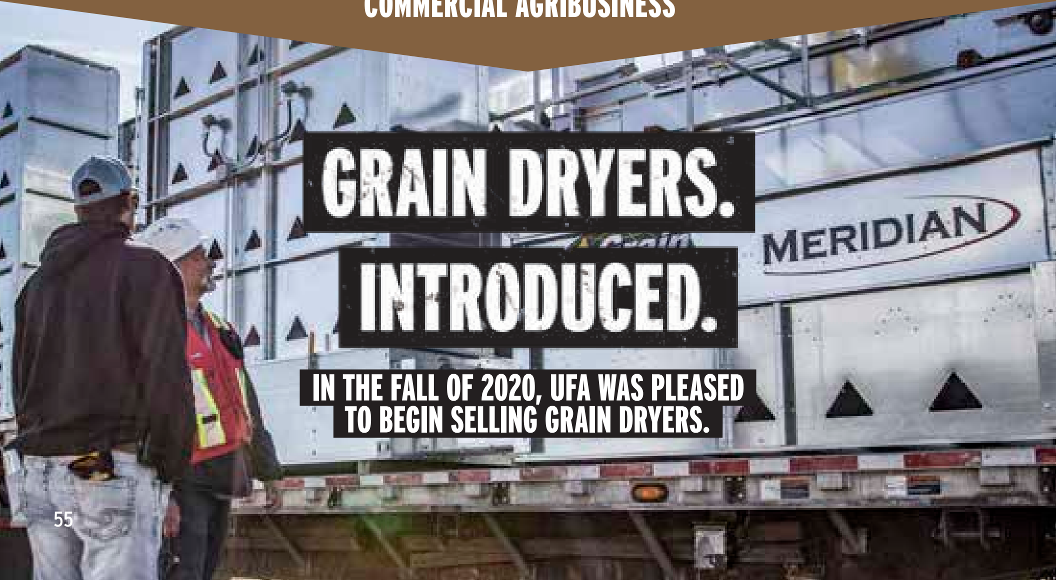
OUR BUY NOW, PAY LATER PROGRAM OFFERED MEMBERS THE CHANCE TO PURCHASE PRODUCTS, WITH NO PAYMENT AND INTEREST-FREE FINANCING FOR UP TO 90 DAYS, WHILE THE FCC PRE-APPROVAL PROGRAM PROVIDED MEMBERS WITH A PRE-APPROVAL AMOUNT EQUAL TO THEIR UFA CREDIT UP TO $100 K.

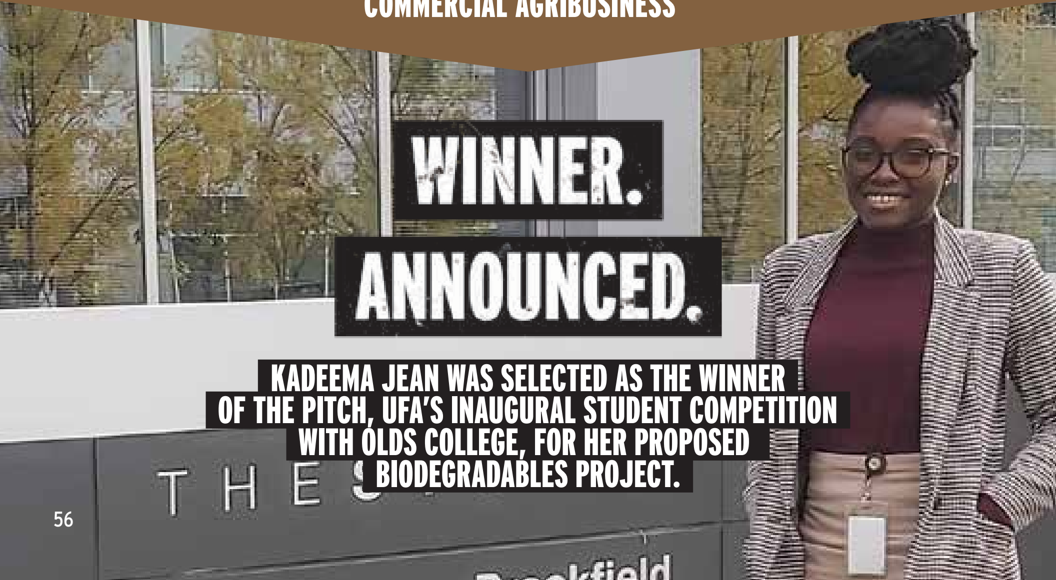
GCC CANOLA PROGRAM. LAUNCHED.

AN EXCITING PILOT PROGRAM WITH GRAINSCONNECT CANADA (GCC) OFFERING GRAIN GROWERS THE CHANCE TO MAXIMIZE RETURNS WITH A DISCOUNT ON SEED AND RECEIVE COMPETITIVE PRICING WITH A PREMIUM ON THEIR PRODUCTION CONTRACT.

GRAIN DRYERS. INTRODUCED.

IN THE FALL OF 2020, UFA WAS PLEASED TO BEGIN SELLING GRAIN DRYERS.





WINNER. ANNOUNCED.

KADEEMA JEAN WAS SELECTED AS THE WINNER OF THE PITCH, UFA'S INAUGURAL STUDENT COMPETITION WITH OLDS COLLEGE, FOR HER PROPOSED BIODEGRADABLES PROJECT.

PETROLEUM

"THE OILFIELD INDUSTRY WAS SIGNIFICANTLY NEGATIVELY IMPACTED BY BOTH THE PANDEMIC AND THE OIL PRICE CRASH IN 2020. OUR FOCUS ON AGRICULTURAL CUSTOMERS CONTINUES TO BE A CORNERSTONE FOR FUEL AND LUBRICANT SALES. OUR MEMBER VOLUMES INCREASED FOR THE FOURTH CONSECUTIVE YEAR AS WE ARE ALWAYS LOOKING TO ADD VALUE BACK TO CUSTOMERS THROUGH EXCLUSIVE PROGRAMS LIKE BUY NOW, PAY LATER AND, OF COURSE, OUR EXTREMELY POPULAR DIESELEX® GOLD. WE ARE OPTIMISTIC ABOUT OUR ROAD AHEAD."

DON SMITH, VP,
PETROLEUM AND INNOVATION

PETROLEUM

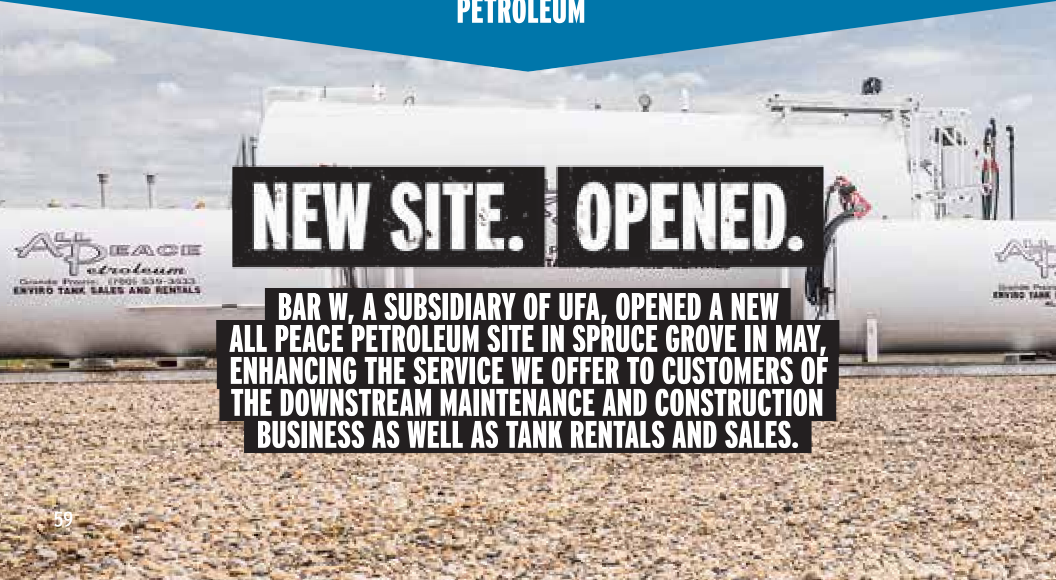
$111 M

GROSS MARGIN.

COMPARED TO $125 M IN 2019.

NEW SITE. OPENED.

BAR W, A SUBSIDIARY OF UFA, OPENED A NEW ALL PEACE PETROLEUM SITE IN SPRUCE GROVE IN MAY, ENHANCING THE SERVICE WE OFFER TO CUSTOMERS OF THE DOWNSTREAM MAINTENANCE AND CONSTRUCTION BUSINESS AS WELL AS TANK RENTALS AND SALES.



DIESELEX® GOLD. EXPANDED.

PRECISION-BLENDED DIESEL FUEL NOW EXPANDED
TO 83 SITES ACROSS THE NETWORK.
AVAILABLE VIA CARDLOCK OR BULK DELIVERY.

SERVICE. IMPROVED.

WE CONTINUE TO ENHANCE AND IMPROVE OUR PETROLEUM AGENCIES AND CARDLOCKS TO ENSURE CUSTOMERS RECEIVE A GREAT EXPERIENCE EVERY TIME.

WORKING GROUPS. LAUNCHED.

IT'S ONE THING TO THINK UP A SOLUTION.
IT'S ANOTHER TO DEVELOP IT.

UFA MEMBERS WERE INVITED TO PARTICIPATE IN A UNIQUE WORKING GROUP TO UNEARTH THE MOST DIFFICULT PROBLEMS WE ALL FACE, THEN WORK TOGETHER TO DEVELOP REAL, GROUNDBREAKING SOLUTIONS.

CREATIVITY. SPARKED.

OVER 37 HOURS OF MEMBER INSIGHTS FOR UFA AND THREE MEMBER WORKING GROUPS CREATED 38 MEMBER-TO-MEMBER CONNECTIONS.

COMMUNITY INVESTMENT

UFA WAS BUILT ON THE PRINCIPLE THAT WE ACCOMPLISH MORE WHEN WE WORK TOGETHER. OUR DECISIONS REFLECT THE GOALS AND VALUES OF OUR MEMBERSHIP AND, TOGETHER, WE INVEST IN COMMUNITY INITIATIVES AND PARTNERSHIPS THAT ENHANCE THE QUALITY OF LIFE IN THE COMMUNITIES WE SERVE.

OVER $750 K. INVESTED.

IN COMMUNITY INITIATIVES ACROSS OUR NETWORK.

RELIEF EFFORTS. SUPPORTED.

UFA PROVIDED OVER $150 K IN FUNDING DIRECTLY TO 101 LOCAL FOOD BANKS AND 150 SHELTERS AND COMMUNITY OUTREACH PROGRAMS, PROVIDING VITAL SERVICES IN THE COMMUNITIES WE SERVE.

CRITICAL CARE. REINFORCED.

AN ADDITIONAL $15 K WAS DONATED TO STARS AIR AMBULANCE IN SUPPORT OF OPERATIONS AND TO ENSURE THE CONTINUED CARE FOR SOME OF THE MOST CRITICALLY ILL AND INJURED PATIENTS.

MENTAL HEALTH. PROTECTED.

THE DO MORE AG FOUNDATION RECEIVED $10 K IN FUNDING TO CONTINUE TO CHAMPION A CULTURE IN AGRICULTURE WHERE PRODUCERS ARE ENCOURAGED, EMPOWERED AND SUPPORTED TO TAKE CARE OF THEIR MENTAL WELL-BEING.

4-H. FUNDED.

$100 K IN FUNDING TO SUPPORT 4-H ALBERTA, INCLUDING APPROXIMATELY $60 K SHARED LOCALLY THROUGH UFA FUNDS 4-H CLUBS PROGRAM.

YOUTH. EDUCATED.

PROUD TO SUPPORT AG FOR LIFE WITH $100 K TOWARDS AGRICULTURAL AWARENESS AND RURAL SAFETY WITH INTERACTIVE AND EDUCATIONAL PROGRAMMING.

TEAM KOE. ON THE ROAD.

WITH CURLING EVENTS CLOSED TO THE PUBLIC, TEAM KOE TOOK THEIR SHOW ON THE ROAD STREAMING ALL THEIR EVENTS LIVE AND WITH PERSONAL COMMENTARY DURING THE GAMES.

TEAM KOE. ROCKED.

AS PART OF OUR PARTNERSHIP WITH THESE WORLD-CLASS CURLERS, TWO RURAL ROCKS YOUTH CLINICS WERE HOSTED AND WELL-RECEIVED BY ALL IN FAIRVIEW AND OYEN.

FARMERS. RECOGNIZED.

WHILE FARMER'S DAY LOOKED A LITTLE DIFFERENT IN 2020, UFA STILL TOOK THE OPPORTUNITY TO RECOGNIZE AND THANK FARMERS, RANCHERS AND PRODUCERS WITH SPECIAL OFFERS, A CALENDAR CONTEST AND A UNIQUE OPPORTUNITY TO "SOW IT FORWARD" WITH GIFT CARDS TO BE SHARED.

RAIL SAFETY. PROMOTED.

IN HONOUR OF RAIL SAFETY WEEK, A CPPS CONSTABLE WAS ON SITE AT OUR LETHBRIDGE LOCATIONS TO SHARE INFORMATION AND ANSWER QUESTIONS.

HOLIDAY DONATIONS. CELEBRATED.

UFA JOINED WITH AMTA TO SUPPORT ROSENAU TRANSPORT'S 18 WHEELS OF CHRISTMAS IN SUPPORT OF THE CALGARY FOOD BANK, WITH THE ULTIMATE GOAL OF STOCKING EVERY FOOD BANK IN WESTERN CANADA DURING CHRISTMAS.

MESSAGE TO MEMBERS

"2020 WAS A YEAR FOR THE RECORD BOOKS.

BUT WITH EVERY CHALLENGE, COMES NEW OPPORTUNITY FOR GROWTH. AS A CO-OPERATIVE, AS A BUSINESS AND AS A TEAM, UFA HAS GROWN. WE CONTINUE TO ADJUST AND ADAPT OUR BUSINESS TO ENSURE WE CAN MEET THE NEEDS OF OUR MEMBERS WHILE OPERATING IN AN UNPREDICTABLE ENVIRONMENT. WE ARE GRATEFUL FOR THE SUPPORT OF OUR MEMBERS AND LOOK FORWARD TO A BRIGHTER YEAR AHEAD.

TOGETHER, WE ARE STRONGER THAN EVER."

KEVIN HOPPINS, BOARD CHAIR

SCOTT BOLTON, PRESIDENT & CEO

MANAGEMENT DISCUSSION AND ANALYSIS.

MEMBER GET IT. UFA DONE. REPORT

CORPORATE PROFILE

UFA Co-operative Limited is an Alberta-based agricultural co-operative with more than 120,000 member-owners.

Founded in 1909, UFA's network comprises 111 bulk fuel and Petroleum Cardlock locations, 34 Farm & Ranch Supply stores, six fertilizer plants and a support office located in Calgary, Alberta. Independent Petroleum agents and more than 950 employees provide products, services and agricultural solutions to farmers, ranchers, members, consumers and commercial customers in Alberta, British Columbia and Saskatchewan.

For more information, please visit UFA.com

Core Purpose

To improve the economic and social well-being of our agricultural owners and their communities.

Core Values

A company is defined by its values. These are the principles by which we go about the day-to-day business of serving our owners and customers, and how we treat each other as employees.

Here is how our co-operative values represent our core beliefs:

Accountability
Agility
Collaboration
Integrity
Performance
Progressive thinking
Respect

Vision

To be recognized as the most trusted and reliable supplier of petroleum, crop, livestock, building products and services in the markets we serve.

Mission Statement

To accomplish this, we will:

- Unite our customers, member/owners, staff, and Elected Officials toward balancing our common purpose of improving economic and social well-being of agriculture owners and their communities with sound business decisions that drive profit growth.

- Develop and execute a strategic plan that strives for best-in-class customer experiences, recognizes and quickly adapts to relevant technology and promotes sustainable practices on behalf of and for our member/owners in all markets.

- Promote and support the establishment of strong, professional business relationships by understanding the needs of our loyal customers/members and providing relevant, worthwhile solutions.

- Remain connected to our roots and grounded in communities, Alberta's natural resources, rural involvement and awareness, and the ideal that cooperation, neighbour to neighbour, town to town, and member to member is a heritage to be proud of and protected.

FINANCIAL HIGHLIGHTS & FIVE-YEAR SUMMARY

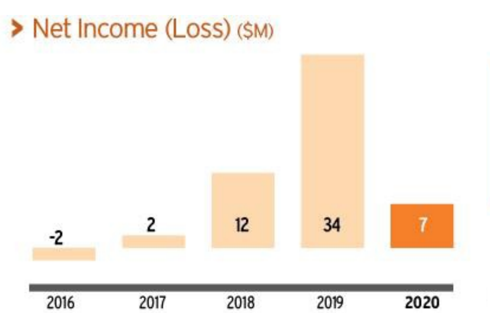
(All figures stated in thousands of Canadian dollars)

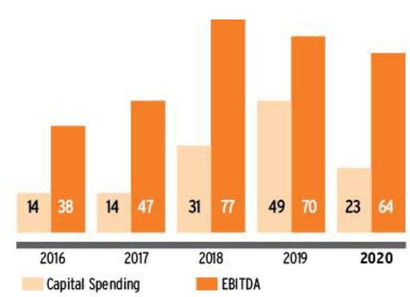
	2020	2019	2018	2017	2016
Operations					
Revenue	**$ 1,233,976**	$ 1,578,901	$ 1,817,492	$ 1,536,163	$ 1,227,942
Gross margin	**180,574**	188,580	206,195	169,866	151,199
Operating and administrative expenses	**(139,607)**	(128,815)	(139,104)	(128,193)	(119,338)
EBITDA	**63,659**	69,702	76,627	47,263	38,282
Income before Patronage Dividend, pension remeasurement and income taxes	**21,919**	34,950	45,048	17,101	4,913
Patronage Dividend	**$ (14,200)**	$ (14,100)	$ (14,000)	$ (12,500)	-

The Alberta economy faced unprecedented challenges in 2020, including an energy sector meltdown compounded by the COVID-19 pandemic. This resulted in a sharp drop of commercial fuel demand. In contrast, it was also one of the best years in agriculture that the province has experienced recently. With COVID-19 measures in place, all UFA Farm & Ranch Supply stores, Petroleum Agencies, Fertilizer Plants and Ag Depots remained open. AgriBusiness retail products were in high demand reflected by increased spending in the categories of lumber, building products, feed and retail.

During 2020, UFA invested $23 million on various projects including the implementation phase of the Microsoft Dynamics 365 (D365) system. D365 went live in January 2020, providing improved functionality at the farm stores. In December 2020, UFA launched its eCommerce platform. This is the first stage in a multi-year strategy to expand UFA's digital and online marketing footprint.

UFA remained strong financially and delivered EBITDA of $63.7 million which included $16.7 million of Canadian Emergency Wage Subsidy (CEWS). A patronage dividend of $14.2 million is recommended to the Assembly, the highest allocation since 2008. UFA reduced its debt in 2020, leaving bank line availability in excess of $100 million.





2020 SUMMARY OF OPERATIONS

Consolidated Statement of Operations

(All figures stated in thousands of Canadian dollars)

For the year ended	**December 31, 2020**	December 31, 2019
Revenue	**$ 1,233,976**	$ 1,578,901
Cost of sales	**(1,053,402)**	(1,390,321)
Gross margin	**180,574**	188,580
Operating and administrative expenses	**(139,607)**	(128,815)
Other income	**22,692**	9,937
Earnings before the under noted (EBITDA)	**63,659**	69,702
Depreciation and amortization	**(30,120)**	(25,349)
Interest	**(11,499)**	(9,227)
Foreign currency exchange loss	**(121)**	(176)
Income before the undernoted	**21,919**	34,950
Gain from pension remeasurement	**3,539**	28,380
Patronage Dividend	**(14,200)**	(14,100)
Income tax expense	**(4,251)**	(14,870)
Net income	**$ 7,007**	$ 34,360

FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of United Farmers of Alberta Co-operative Limited (UFA) is responsible for the preparation of the accompanying financial statements. The financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises, which recognize the necessity of relying on management's judgment and the use of estimates. Management has determined such amounts on a reasonable basis to ensure the financial statements are presented fairly in all material respects.

Management's responsibility to ensure integrity of financial reporting is fulfilled by maintenance of a system of internal accounting controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained. Controls include a comprehensive planning system and processes to ensure timely reporting of periodic financial information.

Final responsibility for the financial statements and their presentation to members rests with the Board of Directors. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee meets separately with management and UFA's external auditors, to review financial statements, discuss internal controls, the financial reporting process and other financial and auditing matters; all to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reports its findings to the Board for its consideration when the Board approves the financial statements prepared by management.

The financial statements have been audited by PricewaterhouseCoopers LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. The external auditors have had full and free access to management, the Audit Committee and the Board of Directors.

Scott Bolton
President and Chief Executive Officer
March 1, 2021

Fred Thun
Executive Vice President & Chief Financial Officer
March 1, 2021

Independent auditor's report

To the Members of United Farmers of Alberta Co-operative Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of United Farmers of Alberta Co-operative Limited and its subsidiary (together, the Entity) as at December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises (ASPE).

What we have audited

The Entity's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2020;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in members'equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 consolidated financial statements* section of our report.

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

Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Entity'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 Entity'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 consolidated 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 2, 2021

CONSOLIDATED BALANCE SHEET

As at *(Stated in thousands of Canadian dollars)*	**December 31, 2020**	December 31, 2019
Assets		
Current Assets		
Cash	$ 6,835	$ 7,702
Accounts receivable *(note 3)*	72,372	102,790
Inventories *(note 2)*	154,623	161,139
Prepaid expenses and deposits	51,692	39,911
Future income tax asset *(note 9)*	2,423	3,248
	287,945	314,790
Investments *(note 4)*	560	560
Other long-term assets *(note 5)*	49,658	45,818
Goodwill and intangible assets *(note 6)*	40,011	45,189
Future income tax asset *(note 9)*	8,425	10,735
Property and equipment *(note 7)*	190,725	194,236
	$ 577,324	$ 611,328
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable and accrued liabilities *(note 17)*	$ 68,379	$ 73,850
Deferred revenue	13,195	12,481
Current portion of member loans *(note 8)*	20,147	15,479
Current portion of long-term debt *(note 10)*	3,475	3,650
Current portion of long-term liabilities *(note 12)*	3,754	2,062
	108,950	107,522
Long-term debt *(note 10)*	64,804	102,025
Member loans *(note 8)*	46,326	51,766
Asset retirement obligations *(note 11)*	24,978	24,486
Long-term liabilities *(note 12)*	4,341	5,645
	249,399	291,444
Members' Equity		
Member entitlements *(note 14)*	221,644	218,054
Retained earnings	106,281	101,830
	327,925	319,884
	$ 577,324	$ 611,328

See accompanying notes to consolidated financial statements

On behalf of the Board

Kevin Hoppins
Chairman

Don Cormack
Director

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended *(Stated in thousands of Canadian dollars)*		**December 31, 2020**		December 31, 2019
Revenue *(note 18)*	$	1,233,976	$	1,578,901
Cost of sales		(1,053,402)		(1,390,321)
Gross margin		180,574		188,580
Operating and administrative expenses		(139,607)		(128,815)
Other income *(note 17)*		22,692		9,937
Earnings before the under noted		63,659		69,702
Depreciation and amortization		(30,120)		(25,349)
Interest *(notes 8,10)*		(11,499)		(9,227)
Foreign currency exchange loss *(note 15)*		(121)		(176)
Income before Patronage Dividend, pension remeasurement and income taxes		21,919		34,950
Gain from pension remeasurement *(note 16)*		3,539		28,380
Patronage Dividend *(note 14)*		(14,200)		(14,100)
Income tax expense *(note 9)*		(4,251)		(14,870)
Net income	$	7,007	$	34,360

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

As at *(Stated in thousands of Canadian dollars)*		**December 31, 2020**		December 31, 2019
Member Entitlements *(note 14)*				
Beginning of period	$	218,054	$	215,614
Patronage Dividend		14,200		14,100
Dividends paid in cash		(6,557)		(6,235)
Redemptions / repayments		(3,916)		(3,627)
Less than minimum, unclaimed and other adjustments		363		202
Contribution to UFA Rural Communities Foundation		(500)		(2,000)
		221,644		218,054
Retained Earnings				
Beginning of period		101,830		71,486
Net income		7,007		34,360
Dividends on investment shares		(2,556)		(4,016)
		106,281		101,830
Total Members' Equity	$	327,925	$	319,884

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended *(Stated in thousands of Canadian dollars)*		**December 31, 2020**		December 31, 2019
Operating activities				
Net income for the year	$	7,007	$	34,360
Items not requiring an outlay of cash				
Patronage Dividend		14,200		14,100
Loss (gain) on disposal of property and equipment		154		(3,334)
Asset retirement obligations accretion *(note 11)*		1,174		1,191
Future income tax expense *(note 9)*		3,136		12,610
Increase (decrease) in other long-term liabilities		250		(88)
Other amortization and expenses		(774)		105
Pension remeasurement gain		(3,539)		(28,380)
Depreciation and amortization *(notes 6,7)*		30,120		25,349
Funds flow		51,728		55,913
Asset retirement obligations settled *(note 11)*		(544)		(1,324)
Changes in non-cash working capital *(note 19)*		20,397		(14,888)
Cash from operating activities		71,581		39,701
Investing activities				
Additions to property and equipment		(17,335)		(27,634)
Additions to intangible assets		(5,701)		(21,227)
Proceeds from disposal of property and equipment		1,453		12,846
Decrease (increase) in other long-term assets		426		(1,184)
Cash used in investing activities		(21,157)		(37,199)
Financing activities				
Long-term debt (repaid) issued *(note 10)*		(37,503)		10,885
Member loans issued *(note 8)*		1,707		3,046
Member loans redeemed *(note 8)*		(2,479)		(2,868)
Dividends paid on investment shares		(2,406)		(4,969)
Redemption / repayment of shares		(3,553)		(3,425)
Contribution to UFA Rural Communities Foundation		(500)		(2,000)
Patronage Dividends paid in cash		(6,557)		(6,235)
Cash used in financing activities		(51,291)		(5,566)
Decrease in cash		(867)		(3,064)
Cash, beginning of period		7,702		10,766
Cash, end of period	$	6,835	$	7,702

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are stated in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

United Farmers of Alberta Co-operative Limited (UFA) was incorporated by special act under the laws of Alberta and operates as two business segments distributing fuel products and farm supplies to its customers. As a co-operative, a significant portion of its business is with its member-owners.

Bar W Petroleum & Electric Inc. (Bar W), a part of the business segment distributing fuel products since 2005, was established as a separate legal entity in 2016. Bar W is a wholly-owned subsidiary of UFA.

2. SIGNIFICANT ACCOUNTING POLICIES

UFA prepares its consolidated financial statements on a calendar basis.

Basis of Presentation
These consolidated financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises.

Comparative Figures
Certain comparative financial information has been reclassified to be consistent with the presentation adopted for 2020.

Consolidation
The consolidated financial statements include the accounts of UFA and its wholly-owned subsidiaries. Transactions between UFA and its wholly-owned subsidiaries are eliminated on consolidation. These consolidated financial statements are expressed in Canadian dollars.

Business combinations
Business combinations are accounted for using the acquisition method. The application of this method requires certain estimates and assumptions especially concerning the determination of the fair value of the acquired asset, as well as the liabilities assumed at the date of the acquisition, based on information available at that date. At the acquisition date, UFA recognizes, separately from goodwill, the identifiable assets acquired and the liabilities assumed. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. The consideration transferred for each acquisition is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred, and equity instruments issued by UFA to obtain control of the subsidiary.

Income Taxes

UFA follows the future tax method of tax allocation in accounting for income taxes. Under this method, income taxes are recognized for the differences between financial statement carrying values and the respective income tax basis of assets and liabilities (temporary differences), and for the carry-forward of unused tax losses and income tax reductions. Future income tax assets and liabilities are measured using income tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that the change is substantively enacted. Temporary differences relating to subsidiaries are accounted for using inside basis differences, unless it is apparent that the temporary differences will reverse in the foreseeable future, in which case the outside basis differences are recorded. Future income tax assets are evaluated and recorded as required in the consolidated financial statements if realization is considered more likely than not. Valuation allowances are established for amounts not likely to be realizable.

Revenue Recognition

UFA recognizes revenue when products, goods and services are delivered to the customer or when the risks and rewards associated with ownership are transferred to the customer. Revenue invoiced but not yet earned is recorded as deferred revenue.

Cash

Cash consists of cash on account and bank balances.

Inventories

Inventories are comprised of finished goods and are valued at the lower of cost and net realizable value, with cost being determined using the weighted average cost method. The cost of inventories includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs such as storage costs, administrative overheads that do not contribute to bringing the inventories to their present location and condition, and selling costs are specifically excluded from the cost of inventories and are expensed in the period incurred. The amount of inventory recognized as a cost of sales in the current period was $1,027.0 million (2019 – $1,367.9 million). Inventory for AgriBusiness for 2020 was $118.7 million (2019 - $118.2 million) and for the Petroleum division was $35.9 million (2019 - $42.9 million).

Investments

Investments held in other co-operative enterprises that are not publicly traded, are financial instruments and measured at amortized cost. Provisions are made for impairments that are considered to have a significant adverse change to the carrying value of the investment.

Investments over which UFA exercises significant influence are accounted for using equity method. The equity method involves the recording of the initial investment at cost and subsequently adjusted for UFA's share of the investee's income or losses less UFA's portion of distributions from the investee. Provisions are made for impairments that are considered to have a significant adverse change to the carrying value of the investment.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets at the rates indicated below commencing the month that the assets are placed into service. Capital leases which transfer significant ownership rights to UFA are recorded as property and equipment.

Buildings, fences and yards	15 to 25 years
Equipment	2 to 8 years
Computer equipment	3 to 5 years
Automotive equipment	4 to 5 years
Leased assets	3 to 15 years

Property and equipment classified as "assets under construction" is expected to be placed into productive use within 12 months and represents work commenced but not completed on major projects. Depreciation will commence once these assets are put into service.

Goodwill and Intangible Assets

UFA records as goodwill the excess amount of the purchase price of entities acquired over the fair value of the identifiable net assets acquired, including intangible assets, at the date of acquisition. Goodwill is not amortized but is tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the reporting unit to which the goodwill is assigned may exceed the fair value of the reporting unit. In the event of impairment, the excess of the carrying amount (including goodwill) of a reporting unit over its fair value would be charged to earnings. Intangible assets are amortized on a straight-line basis over the estimated useful life of the assets identified.

Application software	3 to 10 years
Trademarks/Trade names	10 years
Lease/Licenses	10 years

Intangible assets classified as "intangibles under construction" represents work commenced but not completed on major projects. Amortization will commence once these assets are put into service.

Impairment of long-lived assets

UFA tests its long-lived assets including property and equipment and intangible assets when a significant change in circumstances indicates that the carrying amount of an asset may not be recoverable. Impairment losses are recognized when the carrying value of an asset exceeds the total projected undiscounted future cash flows expected from its use and eventual disposition. The impairment recognized is measured as the amount by which the carrying value of the property and equipment or intangible asset exceeds its fair value.

Asset Retirement Obligations

UFA recognizes the current best estimate of the expenditure required to settle the asset retirement obligation for all long-lived assets in the period when the liability is incurred or the period when it can be reasonably estimated, whichever is earlier. The liability is adjusted due to revisions in the associated estimated timing and amount of costs. Estimates are determined using management's best judgment supplemented by historical experience, market information and, in some cases, a review of engineering data. UFA also recognizes a corresponding increase in the carrying cost of the asset. The carrying cost of the asset is depreciated on a straight-line basis, similar to the underlying assets for which the liability is recognized.

Employee Future Benefits

UFA operates a defined benefit pension plan for its employees along with an unfunded supplemental employee retirement plan for those employees affected by the Canada Revenue Agency maximum pension and contribution limits. A defined contribution pension plan was adopted in 2013 for new employees starting from October 1, 2012; the defined benefit pension plan remained intact for employees who entered this plan prior to October 1, 2012. The obligations of the plans are determined using the projected benefit method pro-rated on service and UFA's best estimate of salary growth and demographic changes.

Gains or losses arising from actual changes in plan assets or from experience differing from assumptions are recognized immediately in the Consolidated Statement of Operations as pension remeasurement. The corresponding Net Funded Status of the plan is represented in Employee Future Benefits (*note 16)*. The market value of plan assets is used for all calculations. UFA contributions to employees under the defined contribution pension plan are charged to expenses.

UFA has elected to use the actuarial valuation for funding purposes (funding valuation) for the defined benefit pension plans.

Foreign Currency Translation

UFA translates foreign currency assets and liabilities into Canadian dollars at the period-end exchange rate for monetary items and at the historical exchange rate for non-monetary items. Foreign currency revenues and expenses are translated at the exchange rate in effect on the date of the related transaction. Foreign currency gains and losses are included in income immediately.

Financial Instruments

CPA Canada Handbook, Part II, Section 3856 provides the disclosure and presentation requirements for privately-owned organizations. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Financial assets and financial liabilities will be recognized on the balance sheet when UFA becomes party to the contractual provisions of the financial instrument. UFA classifies financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurement.

Financial instruments will include cash, accounts receivable, accounts payable, various debt-based instruments and certain derivatives products. All financial instruments are measured at fair value upon initial recognition. Subsequent measurement is at amortized cost or at fair value depending on the type of the financial instrument.

UFA recognizes derivative instruments as either assets or liabilities and measures those instruments at fair value without any adjustments for transaction costs arising from disposals. Where UFA elects to apply hedge accounting, it documents the relationship between the derivative and the hedged item at inception of the hedge, and then assesses at each reporting period whether the derivative has been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of the hedged item.

For derivative instruments that are not designated as accounting hedges, changes in fair value are recognized in earnings in the period of change.

Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian Accounting Standards for Private Enterprises requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that UFA may undertake in the future. Management believes that the estimates are reasonable; however, actual results could differ from those estimates. Estimates are used when accounting for such items as inventory provisions, depreciation, pension obligation, percentage of completion, future income tax asset, income and other taxes, allowance for doubtful accounts, asset retirement obligations and long-lived assets and goodwill for impairment. Information presented, and estimates used in the financial statements do not reflect anticipated resolutions to uncertainties by management.

Related party transactions

Board members may make purchases during the year and the transactions were completed at arm's length and at the exchange amount of $2.2 million.

3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of customer and member receivables of $63.2 million (2019 – $92.4 million) extended under commercial terms and other miscellaneous receivables of $9.2 million (2019 – $10.4 million). The customer and member receivables are net of an allowance of $0.8 million (2019 – $1.9 million). In 2020, UFA recorded bad debt expenses of $0.1 million (2019 – $1.5 million).

In 2020, UFA earned interest on overdue accounts receivable of $3.1 million (2019 – $3.5 million).

4. INVESTMENTS

	2020	2019
MDSI	**$ 18**	$ 18
Other investments	**542**	542
	$ 560	$ 560

In October 2018, UFA entered into an agreement with Associated Veterinary Specialists Inc. incorporating Micro Dispensing Services Inc. (MDSI) to conduct a new business venture. UFA has 35% legal ownership position in MDSI.

Other investments consist primarily of shares of other co-operatives.

5. OTHER LONG-TERM ASSETS

	2020	2019
Accrued pension benefit asset (*note 16)*	**$ 48,035**	$ 43,742
Deferred charges	**1,623**	2,076
	$ 49,658	$ 45,818

Deferred charges consist primarily of properties under remediation.

6. GOODWILL AND INTANGIBLE ASSETS

	2020		
	Cost	Accumulated Amortization	Net Book Value
Application software	$ 75,835	$ 50,512	$ 25,323
Intangibles under construction	3,224	-	3,224
Goodwill	11,464	-	11,464
	$ 90,523	$ 50,512	$ 40,011

	2019		
	Cost	Accumulated Amortization	Net Book Value
Application software	$ 64,559	$ 61,461	$ 3,098
Intangibles under Construction	30,627	-	30,627
Goodwill	11,464	-	11,464
	$ 106,650	$ 61,461	$ 45,189

Intangibles under construction consist primarily of expenditures associated with the implementation of an enterprise resource planning (ERP) system. Amortization commenced in 2020 as these assets were put into service. During the current year, UFA recognized amortization expense in the amount of $6.6 million (2019 - $2.1 million)

7. PROPERTY AND EQUIPMENT

	2020		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 48,783	$ -	$ 48,783
Buildings, fences and yards	191,085	120,409	70.676
Equipment	167,677	125,726	41,951
Computer equipment	17,488	10,672	6,816
Automotive equipment	5,232	4,251	981
Leased assets	36,616	22,447	14,169
Assets under construction	7,349	-	7,349
	$ 474,230	$ 283,505	$ 190,725

	2019		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 48,783	$ -	$ 48,783
Buildings, fences and yards	182,859	114,749	68,110
Equipment	162,828	119,608	43,220
Computer equipment	18,235	16,770	1,465
Automotive equipment	5,829	4,576	1,253
Leased assets	36,895	18,429	18,466
Assets under construction	12,939	-	12,939
	$ 468,368	$ 274,132	$ 194,236

Assets under construction as at December 31, 2020 are expected to be placed into productive use during fiscal 2021 and represent work commenced but not completed on buildings and equipment. Depreciation and amortization will commence once these assets are put into service. Leased assets include $0.5 million (2019 – $7.9 million) of capital leases entered in 2020. During the current year, UFA recognized depreciation expense in the amount of $23.5 million (2019 – $23.2 million).

8. MEMBER LOANS

	December 31, 2020	December 31, 2019
5.0 til 2020 MIP (maturing 2020)	$ -	$ 15,479
3-5-7 MIP issued 2018		
5.5 til 2021 MIP (maturing 2021)	20,147	20,197
6.0 til 2023 MIP (maturing 2023)	8,160	8,160
6.5 til 2025 MIP (maturing 2025)	7,934	7,953
3-5-7 MIP issued 2019		
5.5 til 2022 MIP (maturing 2022)	5,922	5,907
6.0 til 2024 MIP (maturing 2024)	5,245	5,295
6.5 til 2026 MIP (maturing 2026)	4,234	4,254
3-5-7 MIP issued 2020		
5.0 til 2023 MIP (maturing 2023)	8,954	-
5.5 til 2025 MIP (maturing 2025)	1,757	-
6.0 til 2027 MIP (maturing 2027)	4,120	-
	66,473	67,245
Less: current portion	(20,147)	(15,479)
	$ 46,326	$ 51,766

UFA offers voluntary member loan programs, known as Member Investment Programs (MIP), which provides members, employees, and agents the opportunity to invest in UFA and earn a return on their investment. All member loans are unsecured.

The 5.0 til 2020 MIP was introduced on June 16, 2017. The program paid interest of 5.0% semi-annually and matured on June 15, 2020. Loans were redeemed and investors had the option of principal repayment or investing in the new 3-5-7 MIP. $13.1 million of this program was re-invested into the new 3-5-7 MIP with the balance repaid in cash. Interest of $0.3 million (2019 - $0.8 million) is included in interest expense.

3-5-7 MIP issued 2018

The program was introduced September 16, 2018 in three tranches with different maturity dates.

The 5.5 til 2021 MIP program pays interest of 5.5% semi-annually and matures on September 15, 2021. $20.1 million (2019 - $20.2 million) is currently invested in the program. Interest on this program of $1.1 million (2019 - $1.1 million) is included in interest expense.

The 6.0 til 2023 MIP program pays interest of 6.0% semi-annually and matures on September 15, 2023. $8.2 million (2019 - $8.2 million) is currently invested in the program. Interest on this program of $0.5 million (2019 - $0.5 million) is included in interest expense.

The 6.5 til 2025 MIP program pays interest of 6.5% semi-annually and matures on September 15, 2025. $7.9 million (2019 - $8.0 million) is currently invested in the program. Interest on this program of $0.5 million (2019 - $0.5 million) is included in interest expense.

3-5-7 MIP issued 2019

The program was introduced June 16, 2019 in three tranches with different maturity dates.

The 5.5 til 2022 MIP program pays interest of 5.5% semi-annually and matures on June 15, 2022. $5.9 million (2019 - $5.9 million) is currently invested in the program. Interest on this program of $0.3 million (2019 - $0.2 million) is included in interest expense.

The 6.0 til 2024 MIP program pays interest of 6.0% semi-annually and matures on June 15, 2024. $5.2 million (2019 - $5.3 million) is currently invested in the program. Interest on this program of $0.3 million (2019 - $0.2 million) is included in interest expense.

The 6.5 til 2026 MIP program pays interest of 6.5% semi-annually and matures on June 15, 2026. $4.2 million (2019 - $4.3 million) is currently invested in the program. Interest on this program of $0.3 million (2019 - $0.2 million) is included in interest expense.

3-5-7 MIP issued 2020

The program was introduced June 16, 2020 in three tranches with different maturity dates.

The 5.0 til 2023 MIP program pays interest of 5.0% semi-annually and matures on June 15, 2023. $9.0 million is currently invested in the program. Interest on this program of $0.2 million is included in interest expense.

The 5.5 til 2025 MIP program pays interest of 5.5% semi-annually and matures on June 15, 2025. $1.8 million is currently invested in the program. Interest on this program of $0.1 million is included in interest expense.

The 6.0 til 2027 MIP program pays interest of 6.0% semi-annually and matures on June 15, 2027. $4.1 million is currently invested in the program. Interest on this program of $0.1 million is included in interest expense.

The repayment of member loans may be redirected in order to repay delinquent amounts owing to UFA and is subject to UFA meeting the covenants contained under the Asset-Based Credit Agreement (*note 10*).

9. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian Federal and Provincial statutory income tax rates to earnings before income taxes as set out below:

	December 31, 2020	December 31, 2019
Income before patronage dividend and income taxes	**$ 25,458**	$ 63,330
Patronage Dividend	**(14,200)**	(14,100)
Net income before income taxes	**$ 11,258**	$ 49,230
Statutory income tax rate	**24.05%**	26.51%
Expected income tax expense	**2,708**	13,052
Non-deductible items and other	**23**	278
Rate adjustment	**1,140**	2,695
True ups and other	**221**	404
Future income tax valuation allowance	**159**	(1,559)
Income tax expense	**4,251**	14,870
Income taxes consist of:		
Current income tax expense	**1,115**	2,260
Future income tax expense	**3,136**	12,610
	$ 4,251	$ 14,870

Effective tax rate for 2020 was 37.8% (2019 – 30.2%). The net future income tax asset at the fiscal period end is comprised of the tax effect of the following temporary differences:

	December 31, 2020	December 31, 2019
Current future income tax asset:		
Inventories	**$ 1,935**	$ 1,870
Payables, warranty and other	**488**	1,378
	2,423	3,248
Long-term future income tax asset:		
Long-term debt and other long-term liabilities	**3,543**	4,491
Asset retirement obligation	**5,766**	5,654
Tax loss	**18,178**	18,116
Goodwill and intangibles	**(564)**	(403)
Property and equipment	**(691)**	(462)
Pension	**(11,088)**	(10,101)
Valuation allowance	**(6,719)**	(6,560)
	$ 8,425	$ 10,735

Included in tax loss and property and equipment is $10,072 (2019 - $11,555) of future income tax asset relating to the wind up of Wholesale Sports Canada Ltd. UFA has non-capital losses carried forward of $43,635 (2019 - $47,545). These non-capital losses will begin to expire in 2038. UFA also has capital losses carryforward of $56,216 (2019- $56,818) for which there has been no net deferred tax asset recognized. Additionally, these capital losses have no expiration date.

10. LONG-TERM DEBT

	December 31, 2020	December 31, 2019
Asset-Based Credit Agreement - Revolving loans	$ 57,182	$ 90,693
Capital leases obligations	11,403	15,393
Deferred financing charges	(306)	(411)
	68,279	105,675
Less: current portion	(3,475)	(3,650)
	$ 64,804	$ 102,025

Asset-Based Credit Agreement

On November 26, 2018, UFA entered into a second amended and restated Asset-Based Credit Agreement (Credit Agreement). The Credit Agreement has a five-year term, maturing on November 26, 2023 and provides for an asset-based revolving credit facility in the maximum aggregate amount of $250.0 million. There are no fixed terms of repayment under the revolving credit facility.

The Credit Agreement also has an accordion feature, which permits UFA to request an increase in the revolving credit facility up to an additional amount of $75.0 million. Any increase under the accordion feature is not committed and must first be approved by the lenders.

Borrowing Base

The amount available to be drawn under the Credit Agreement will vary from time to time based on UFA's inventory and accounts receivable balances. Advances under the Credit Agreement cannot exceed the lower of the revolving loans borrowing base determined according to terms under the agreement that factors UFA's inventory and receivables, and the maximum aggregate amount of $250.0 million. In addition, reserves are calculated under the Credit Agreement to take into account factors such as priority payables and additional collateral requirements.

At December 31, 2020, under the Credit Agreement, the borrowing bases for accounts receivable, inventory and prepayments were margined at $46.1 million (2019 – $71.1 million) and $130.7 million (2019 – $125.9 million) respectively. In 2020, the total amount of reserve deducted from the borrowing bases was $18.3 million (2019 – $15.7 million). As at December 31, 2020, $101.3 million (2019 – $90.6 million) of credit was available to fund operations and working capital requirements.

At December 31, 2020, UFA's revolving loan balance was $57.2 million (2019-$90.7 million).

Terms

Under the Credit Agreement, UFA can borrow using Prime, LIBOR or BA. Pricing for Canadian and US prime loans is equal to their respective prime rates. LIBOR loans and BA balances are priced at their respective rates plus a spread of 1.20%. The effective interest rate was 4.95% (2019 – 4.20%) due to higher swap interest rate payments in 2020.

Security

The Credit Agreement grants a security interest in all of UFA's personal and real property.

Covenants

UFA is subject to certain financial and collateral covenants related to the Credit Agreement. In 2020, UFA was in compliance with all covenants.

Capital Lease Obligations

Capital leases under leased assets *(note 7)* are the security for the respective obligations. Scheduled minimum lease payments for the next five years total $11.9 million, including $2.0 million in financing expenses. The lease terms range from two to five years at interest rates between 2.5% and 6.5% for 2020 (2019 – 3.3% and 6.5%).

	Principal	Interest	Total
2021	$ 2,991	$ 425	$ 3,416
2022	2,809	419	3,228
2023	1,742	406	2,148
2024	1,210	385	1,595
2025	1,186	365	1,551
	$ 9,938	$ 2,000	$ 11,938

11. ASSET RETIREMENT OBLIGATIONS

	2020	2019
Balance, beginning of year	**$ 24,486**	$ 24,437
Accretion expense	**1,174**	1,191
Revisions in estimated cash flows	**(138)**	182
Liabilities settled	**(544)**	(1,324)
Balance, end of year	**$ 24,978**	$ 24,486

Estimated undiscounted future cash flows, adjusted for inflation, are $58.1 million (2019 – $57.6 million) and are expected to be incurred up to and including fiscal 2070. The present value or discounted fair value of the obligations was determined using a 6.0% discount rate and a 2.0% inflation rate (2019 – 6.8% and 2.2% respectively). The estimates used in determining UFA's asset retirement obligations could change due to changes in regulations and the timing, nature and extent of environmental remediation required. Changes in estimates are accounted for prospectively in the period that the estimate is revised.

12. LONG-TERM LIABILITIES

	December 31, 2020	December 31, 2019
Other long-term liabilities	**$ 8,095**	$ 7,707
Less: current portion	**(3,754)**	(2,062)
	$ 4,341	$ 5,645

Other long-term liabilities include $5.7 million (2019 - $5.4 million) relating to long-term incentive programs and $2.4 million (2019 - $2.3 million) relating to deferred lease inducements.

13. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Future minimum payments under operating leases for certain facilities and equipment are due as listed:

2021	$	4,527
2022		4,517
2023		4,549
2024		3,964
2025		3,514
After 2025		13,956
	$	35,027

UFA's by-laws provide indemnification to its current and former directors, officers and employees to the extent permitted by law, against liabilities arising from their service to UFA. The broad nature of these indemnification by-laws does not permit a reasonable estimate of the maximum potential amount of any liability. No amount has been accrued in the consolidated financial statements in this respect.

UFA is involved in various claims arising in the normal course of business. UFA has made adequate provisions, wherever required, based on the expected outcomes of the claims.

14. MEMBER ENTITLEMENTS

Member Entitlements consists of Member Shares, the current period's Patronage Dividend, Class A Investment Shares (Investment Shares) and Contributed Surplus.

Details of Member Entitlements are as follows:

	December 31, 2020	December 31, 2019
Member Shares	**$ 87,161**	$ 80,097
Patronage Dividend	**14,200**	14,100
Investment Shares	**112,601**	115,639
Contributed Surplus	**7,682**	8,218
	$ 221,644	$ 218,054

The repayment and redemption of Member Entitlements and the payment of the Patronage Dividend is subject to the right of offset of any amounts owing to UFA and are subject to UFA meeting the covenants contained under the Credit Agreement (*note 10*). As provided in the By-Laws, the Board of Directors has the authority to limit or suspend payments, dividends or redemptions of Patronage Dividends, and Member and Investment Shares in cases where the business needs of UFA are impacted, liquidity or solvency is jeopardized, a default or breach of any financing facility may occur or in circumstances of significant market uncertainty.

Member Shares

UFA is authorized to issue an unlimited number of Member Shares with a par value of $5.00.

Member Shares are redeemable (subject to any limitations as set out in the by-laws) at the option of the holder at par value when the member reaches age 70, moves out of the trading area or at the request of the member's estate. The maximum dollar amount of Member Shares held by a member is $30,000. Member Shares are not eligible for Member Share dividends.

	2020		2019	
Member shares issued:	**Number** (in thousands)	**Amount**	Number (in thousands)	Amount
Balance, beginning of period	**16.019**	**$ 80,097**	14,612	$ 73,058
Redemptions/ adjustments	**(141)**	**(704)**	(142)	(707)
Patronage	**1,551**	**7,757**	1,571	7,855
Contributed Surplus	**3**	**11**	(22)	(109)
Balance, end of period	**17,432**	**$ 87,161**	16,019	$ 80,097

Patronage Dividend

UFA may distribute a portion of its current fiscal period taxable earnings to its members in the form of a Patronage Dividend.

The Patronage Dividend approved at the Annual Meeting of the co-operative is applied in the following manner:

- 60% is applied toward the purchase by the member of Member Shares until the member has purchased Member Shares having an aggregate par value of $30,000
- After application of the Patronage Dividend to Member Shares, the remaining amount shall be paid to the member in cash subject to withholding or other taxes

For 2019 a Patronage Dividend of $14.1 million was approved. $7.8 million of the dividend was issued as Member shares and $6.6 million was paid in cash. For 2020, the Board of Directors has recommended a $14.2 million Patronage Dividend.

	2020	2019
Balance, beginning of period	**$ 14,100**	$ 14,000
Current period distribution:		
Member Shares	**(7,757)**	(7,855)
Cash	**(6,557)**	(6,235)
Distribution adjustments	**214**	90
Current period allocation	**14,200**	14,100
Balance, end of period	**$ 14,200**	$ 14,100

Investment Shares

Investment Shares have a par value of $100 and are redeemable at par value at the option of the holder.

Investment Shares are retractable at par value at the option of UFA and provide a dividend at the bank prime rate less 0.5%. In 2020, dividends of $2.6 million (2019 - $4.0 million) were declared and charged against retained earnings. The minimum check issued is $50 per member. Amounts less than $50 are held in Investment Shares until the minimum is met.

	2020		2019	
	Number	**Amount**	Number	Amount
Balance, beginning of period	**1,156**	**$ 115,639**	1,186	$ 118,575
Redemption	**(32)**	**(3,212)**	(30)	(2,920)
Contributed Surplus	**-**	**25**	(1)	(128)
Less than minimum and unclaimed	**2**	**149**	1	112
Balance, end of period	**1,126**	**$ 112,601**	1,156	$ 115,639

Contributed Surplus

The By-laws of the Co-operative provide for termination of a membership due to inactivity. When a member's membership is terminated for inactivity, the member has no further entitlement to be paid any amount in respect of the member's Investment Shares, Member Shares or Unclaimed Funds (together, the Member's Equity), and the membership number and Member's Equity shall be cancelled without any payment or notice to the member. In 2020, Members' Equity of $0.0 million (2019 - $0.2 million) was cancelled and classified as Contributed Surplus, as outlined below. As provided in the By-Laws, the Board of Directors established the UFA Rural Communities Foundation (the Foundation) in 2014 with objects consistent to the United Farmers of Alberta Co-operative Limited Act. The Foundation is funded by UFA's Contributed Surplus in annual contributions subject to management approval. In 2019, the Board of Directors passed a resolution to increase the maximum annual contribution limit to the Foundation from $1.0 million to $2.0 million. In 2020, $0.5 million was allocated from Contributed Surplus to the Foundation.

	2020	2019
Balance, beginning of period	**$ 8,218**	$ 9,981
Current period additions:		
Member Shares	**(11)**	109
Investment Shares	**(25)**	128
Contribution to UFA Rural Communities Foundation	**(500)**	(2,000)
Balance, end of period	**$ 7,682**	$ 8,218

15. FINANCIAL INSTRUMENTS

UFA's risk exposures and the impact on UFA's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. UFA is exposed to the credit risk on its accounts receivable from members and customers. The accounts receivable are net of applicable allowances for doubtful accounts, which are established based on the specific credit risks associated with individual members and customers and other relevant information. Concentration of credit risk with respect to receivables is limited, due to the large number of members and customers.

Liquidity Risk

UFA's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. At December 31, 2020, UFA had current assets of $287.9 million (2019 – $314.8 million) to settle current liabilities of $109.0 million (2019 – $107.5 million). All of UFA's accounts payable, accrued liabilities and deferred revenue are subject to normal trade terms (see *notes 8 and 10* for information on payment terms of member loans and current and long-term debt).

Interest Rate Risk

To manage interest rate risk, UFA utilizes short-term floating interest rate borrowings issued under the Credit Agreement and through the Member loans program. Under its hedging program, UFA utilizes swap agreements to manage interest rate risk on its asset-based revolving credit facility. In June 2018 UFA entered into an interest swap agreement for a period of 7 years which expires on June 27, 2025. The swap agreement applies an effective rate of interest at 2.45% plus a spread of 1.20% on a notional amount of $75.0 million.

The amortized transaction costs increased the interest rate by 0.46% (2019 – 0. 35%) making the effective interest rate 4.95% (2019 – 4.20%). A 1.0% change in the prime rate is anticipated to have an annual change in interest cost of approximately $0.6 million. UFA has not hedged any of the interest rate risk associated with other short-term borrowings as it considers the risk to be acceptable.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices. As these fluctuations may be significant on UFA's financial position, UFA has mitigated certain risks through the use of a hedging program. UFA at times will enter into financial instruments to help manage commodity price risks, these are recognized on a mark to market basis in the Statement of Operations.

On December 22, 2020, UFA entered into a Petroleum put option based on heating oil providing UFA an option to purchase 6.7 million US gallons at $1.35 USD per US gallon of heating oil. The option expires on December 31, 2021. The purchase price of the option was $1.0 million USD.

Foreign Currency Risk

UFA is exposed to foreign currency risk on exchange fluctuations related to its US dollar borrowings through UFA's Credit Agreement (*note 10*) and short-term foreign payables. UFA has entered into foreign currency forward contracts to manage its exposure to foreign exchange rate risk arising from certain payables of foreign suppliers.

Certain foreign currency forward contracts have met the criteria for hedge accounting and are designated as hedging instruments for accounting purposes in these financial statements. When hedge accounting is applied, the foreign currency forward contracts are recognized at maturity with changes to their fair values being accounted for through adjustment of the hedged item.

These agreements were designated as hedge instruments for UFA's USD inventory purchases. Hedge accounting was also applied to these transactions with the appropriate adjustments recognized in these financial statements. The carrying value of the foreign currency exchange agreements as at December 31, 2020 was nil (2019 – nil).

At the consolidated balance sheet date, the fair values of the foreign currency exchange agreements were determined using Bank of Canada published foreign exchange rates.

16. EMPLOYEE FUTURE BENEFITS

UFA employees who were hired into a pension-eligible position prior to October 1, 2012 are participants of the defined benefit pension plan. UFA administers two defined benefit pension plans: a funded registered plan (RPP) for all employees and an unfunded supplemental employee retirement plan (SERP) for those employees whose earnings exceed the maximum allowable under government guidelines for the RPP. UFA funds the RPP in accordance with current pension legislation. UFA does not fund the SERP but has the obligation to pay SERP benefits out of general revenue in the period payments are made. Pension benefits are provided to qualified employees and are based, in general, on years of service and compensation near retirement.

Employees newly hired or transferred into a pension eligible position on or after October 1, 2012 are participants of the defined contribution pension plan. The employer contribution towards the defined contribution plan, recognized as an expense, was $1.4 million (2019 - $1.1 million).

UFA measures its accrued benefit obligation and the fair value of plan assets in its pension plans as at the end of each fiscal period. The accrued benefit obligations are computed based on assumptions used in actuarial valuations for funding purposes. The most recent actuarial valuation for funding purposes was completed as at December 31, 2019.

Changes to the accrued asset balances is as follows:

		2020		2019
Plan asset at start of year	**$**	**43,742**	$	13,943
Remeasurement and other costs		**3,539**		28,380
Solvency and expense contributions		**754**		1,419
Surplus at end of year	**$**	**48,035**	$	43,742

Information regarding UFA's defined benefit plans is as follows:

	December 31, 2020	December 31, 2019
Accrued benefit obligation, end of year	$ 177,844	$ 153,710
Market value of plan assets, end of year	225,879	197,452
Surplus of plan at end of year	48,035	43,742
Accrued asset	$ 48,035	$ 43,742

Included in the accrued benefit obligation is $3.9 million related to the SERP (2019 – $3.5 million).

Key assumptions used in the computation of the defined benefit obligations are:

	2020	2019
Discount rate for funded status	4.05%	4.90%
Rate of compensation increase	1.0% to 2.0%	1.0% to 2.5%

In 2020, UFA recognized termination costs of $0.9 million (2019 - $0.4 million) which was included under operating and administrative expenses.

17. GOVERNMENT REMITTANCES AND ASSISTANCE

Accounts payable and accrued liabilities as at December 31, 2020 include $11.4 million (2019 – $7.8 million) in respect of government remittances other than income taxes. Included in this total are federal and provincial sales and excise taxes, payroll related taxes, and environmental levies.

Due to the decrease in revenue as a result of COVID-19, UFA has recognized $16.7 million (2019 - $nil) of government assistance under the Canada Emergency Wage Subsidy (CEWS) program to cover a portion of its employees wages from March 25 to December 31, 2020 and has recorded the amount within Other income.

18. REVENUE SEGMENTATION

UFA derives a significant portion of its revenue by providing products and services to its members. UFA's business reflects two distinct categories of activity, including fuel products and farm supplies as outlined below.

Category	December 31, 2020	%	December 31, 2019	%
Petroleum	$ 867,387	70.3	$ 1,232,961	78.1
AgriBusiness	366,589	29.7	345,940	21.9
	$ 1,233,976		$ 1,578,901	

19. CHANGES IN NON-CASH WORKING CAPITAL

Non-cash working capital provided cash flows of $20.4 million in fiscal year 2020 (2019 - used $14.9 million). In 2019 $0.9 million of Accounts payables and accrued liabilities relates to capitalized amounts of intangibles.

	December 31, 2020	December 31, 2019
Accounts receivable and current income tax receivable	**$ 30,418**	$ 6,302
Inventory	**6,516**	10,491
Prepaid expenses	**(11,781)**	(8,143)
Accounts payable and accrued liabilities	**(5,470)**	(20,987)
Deferred revenue and other	**714**	(2,551)
	$ 20,397	$ (14,888)

20. INTEREST AND INCOME TAXES PAID

Interest paid in fiscal year 2020 was $11.5 million (2019 – $9.2 million). Income taxes paid in fiscal year 2020 was $2.0 million (2019 – $6.5 million paid).

2020. DONE.

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