



ANNUAL REPORT

Management's Responsibility

To the Members of Prairie Co-operative Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for private enterprises and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Co-operative. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Board is also responsible for recommending the appointment of the Co-operative's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

March 25, 2024



General Manager

To the Members of Prairie Co-operative Limited:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Prairie Co-operative Limited (the "Co-operative"), which comprise the balance sheet as at November 30, 2023, and the statements of net savings and retained savings, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at November 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

As required under paragraph 11 of the Co-operatives Regulations, 1998, we report that, in our opinion, Canadian accounting standards for private enterprises have been applied on a basis consistent with that in the preceding year.

Regina, Saskatchewan

March 25, 2024

MNP LLP

Chartered Professional Accountants

Prairie Co-operative Limited
Balance Sheet
As at November 30, 2023

	2023	2022
Current assets		
Cash	\$ 1,985,853	\$ 380,411
Accounts receivable (Note 5)	3,413,794	5,638,672
Income taxes recoverable	1,069,385	-
Inventories (Note 6)	19,632,561	21,218,811
Prepaid agriculture suppliers	822,024	856,066
Prepaid expenses	5,560	5,014
Current portion long-term receivable (Note 7)	78,051	88,349
	27,007,228	28,187,323
Long-term receivable (Note 7)	28,000	50,289
Investments		
Federated Co-operatives Limited (Note 4(a))	17,142,235	16,013,214
Other organizations	26,152	27,898
Property, plant and equipment (Note 8)	29,605,614	27,525,855
Intangible asset (Note 9)	645,712	710,283
Total assets	\$ 74,454,941	\$ 72,514,862
Current liabilities		
Accounts payable and trust liabilities (Note 11)	\$ 9,767,134	\$ 11,432,550
Income taxes payable	-	41,469
Customer prepaid accounts	901,566	595,678
Current portion of long-term debt (Note 12)	408,626	-
	11,077,326	12,069,697
Long-term debt (Note 12)	12,480,000	9,601,886
Asset retirement obligation (Note 4(b))	115,225	112,174
Total liabilities	23,672,551	21,783,757
Members' equity		
Share capital (Note 13)	16,826,318	17,981,232
Reserves and retained savings (Note 14)	33,956,072	32,749,873
	50,782,390	50,731,105
Total liabilities and members' equity	\$ 74,454,941	\$ 72,514,862

Subsequent event (Note 19)

Commitment (Note 20)

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements



Prairie Co-operative Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended November 30, 2023

	2023	%	2022	%
Sales (Note 15)	\$ 143,517,610	100.0	\$ 144,527,622	100.0
Cost of goods sold	<u>125,619,175</u>	<u>87.5</u>	<u>124,358,978</u>	<u>86.0</u>
Gross margin	<u>17,898,435</u>	<u>12.5</u>	<u>20,168,644</u>	<u>14.0</u>
Expenses				
Operating and administration	19,980,840	13.9	18,880,205	13.1
Net interest (Note 16)	<u>284,671</u>	<u>0.2</u>	<u>114,427</u>	<u>0.1</u>
	<u>20,265,511</u>	<u>14.1</u>	<u>18,994,632</u>	<u>13.2</u>
Savings (loss) from operations	(2,367,076)	(1.6)	1,174,012	0.8
FCL loyalty program (Note 4(c)(iii))	1,440,029	1.0	1,380,427	1.0
Patronage refunds (Note 4(a))	<u>3,872,038</u>	<u>2.7</u>	<u>3,326,478</u>	<u>2.3</u>
Savings before income taxes	2,944,991	2.1	5,880,917	4.1
Income tax expense (Note 18)	<u>236,278</u>	<u>0.2</u>	<u>743,861</u>	<u>0.5</u>
Net savings	<u>\$ 2,708,713</u>	<u>1.9</u>	<u>\$ 5,137,056</u>	<u>3.6</u>
Retained savings, beginning of year	\$ -		\$ -	
Net savings	2,708,713		5,137,056	
Transfer to statutory reserve (Note 14)	(192,964)		(294,935)	
Transfer to general reserve (Note 14)	(745,097)		(1,493,080)	
Patronage allocation to members (Note 13)	<u>(1,770,652)</u>		<u>(3,349,041)</u>	
Retained savings, end of year (Note 14)	<u>\$ -</u>		<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements



Prairie Co-operative Limited
Statement of Cash Flows
For the Year Ended November 30, 2023

	2023	2022
Operating activities		
Net savings	\$ 2,708,713	\$ 5,137,056
Adjustments for:		
Depreciation	2,450,705	2,445,159
Amortization	64,571	64,571
Accretion	3,051	2,947
FCL patronage refund	(3,872,038)	(3,326,478)
Loss (gain) on the disposal of property, plant and equipment	(53,384)	6,199
Changes in non-cash operating working capital:		
Accounts receivable	2,224,878	(2,054,417)
Income taxes recoverable	(1,110,854)	739,394
Inventories	1,586,250	(4,434,777)
Prepaid agriculture suppliers	34,042	306,118
Prepaid expenses	(546)	5,754
Long-term receivables	32,587	22,398
Accounts payable and trust liabilities	(1,665,416)	3,784,910
Customer prepaid accounts	305,888	116,997
Cash provided by operating activities	<u>2,708,447</u>	<u>2,815,831</u>
Investing activities		
Redemption of FCL shares	2,743,017	2,798,698
Additions to property, plant and equipment	(4,562,694)	(922,428)
Proceeds from the disposal of property, plant and equipment	85,613	223,634
Additions to intangible assets	-	(774,854)
Investment in other organization	1,746	(408)
Cash provided by (used for) investing activities	<u>(1,732,318)</u>	<u>1,324,642</u>
Financing activities		
Increase in long-term debt	3,286,741	-
Repayment of long-term debt	-	(1,591,224)
Share capital issued	6,711	5,940
GST on allocation	84,356	68,843
Redemption of share capital	(2,748,495)	(2,171,052)
Cash provided by (used for) financing activities	<u>629,313</u>	<u>(3,687,493)</u>
Net increase in cash	1,605,442	452,980
Cash (borrowings), beginning of year	380,411	(72,569)
Cash, end of year	<u>\$ 1,985,853</u>	<u>\$ 380,411</u>

The accompanying notes are an integral part of these financial statements



Prairie Co-operative Limited
Notes to the Financial Statements
For the Year Ended November 30, 2023

1. Incorporation and operations

Prairie Co-operative Limited ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on July 6, 1936. The primary business of the Co-operative is operating retail agricultural, food, home centres and petroleum outlets in Melville and area, Saskatchewan.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises. A precise determination of many assets and liabilities is dependent upon future events and consequently, the preparation of these financial statements involves the use of estimates and approximations. Areas subject to estimation include valuation of accounts receivable, inventory, useful life of property, plant and equipment, intangible assets, impairment of long-lived assets, income taxes, asset retirement obligations, accrued liabilities and potential contingencies. These estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

These financial statements have been prepared to reflect the following significant accounting policies:

(a) Definition of financial year

The Co-operative's financial year ends on the Saturday closest to November 30.

(b) Cash

Cash is defined as cash and investments with an initial maturity of less than three months.

(c) Inventories

Inventories are valued using a weighted average formula, first-in first-out method, and the retail method. Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the most appropriate method for that particular inventory class.

The Co-operative estimates net realizable value as the amount that inventories are expected to be sold for, taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is determined to be not recoverable due to obsolescence, damage or permanent declines in selling prices.

(d) Financial instruments

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

(i) Arm's length financial instruments

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



Prairie Co-operative Limited
Notes to the Financial Statements
For the Year Ended November 30, 2023

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

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

(ii) Financial asset impairment

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

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

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

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

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is taken over the estimated useful lives of the assets using the following methods and rates:

Buildings	Straight-line & declining balance	10 to 25 years or 10% to 20%
Pavement	Declining balance	8%
Furniture & equipment	Straight-line & declining balance	12 to 20 years or 20%
Computer equipment	Straight-line & declining balance	3 to 5 years or 30% to 100%
Vehicles & equipment	Straight-line & declining balance	5 years or 15% to 45%
Asset retirement cost	Straight-line	25 to 35 years

Expenditures for maintenance and repairs are charged to operating expenses as incurred. Significant expenditures for improvements are capitalized. Gains or losses realized on the disposal of property, plant and equipment are reflected in operations in the year of disposition.

Claims for assistance under various FCL programs are recorded as a reduction of the cost of related assets in the period in which eligible expenditures are incurred, with any depreciation calculated on the net amount.

An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. No such impairment loss was recorded during the year.



Prairie Co-operative Limited
Notes to the Financial Statements
For the Year Ended November 30, 2023

(f) Asset retirement obligation

The Co-operative has a liability for an asset retirement obligation in the period in which a legal liability is incurred. The liability is based on management's best estimate. The liability is subsequently adjusted for the passage of time, which is recognized as an accretion expense in the statement of net savings and statement of retained savings. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded.

(g) Share capital

The Co-operative approves an allocation to members subsequent to year end. The amount is recorded as an addition to share capital and a reduction in retained savings. The Co-operative records the redemption of shares that is to be paid to members at the time it has been approved by the Board of Directors.

(h) Revenue recognition

The Co-operative recognizes revenue when evidence of an arrangement exists, delivery or change of ownership has occurred, the price has been determined, and collection is reasonably assured. Patronage allocations are recognized in savings when earned by the Co-operative.

(i) Income taxes

The Co-operative follows the taxes payable method whereby only current income tax assets and liabilities are recognized to the extent they remain unpaid or are recoverable. In addition, the benefit relating to a tax loss incurred in the current period and carried back to prior periods is recognized as a current asset. Current income tax assets and liabilities are measured using tax rates that are enacted or substantively enacted at the reporting date.

(j) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is taken over the estimated useful lives of the assets using the following methods and rates once the intangible asset is functional:

Supply agreement	Straight-line	12 years
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An impairment loss is recognized when the carrying amount of an intangible asset is not recoverable and exceeds its fair value. No such impairment loss was recorded during the year.

3. Financial instruments and risk management

The significant financial risks to which the Co-operative is exposed are credit risk, interest rate risk, liquidity risk, and commodity price risk.

(a) Credit risk

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



Prairie Co-operative Limited
Notes to the Financial Statements
For the Year Ended November 30, 2023

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Co-operative's sensitivity to fluctuations in interest rates is limited to its cash and debt. The Co-operative manages its exposure to interest rate risk through floating rate deposits and borrowings.

(c) Liquidity risk

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting obligations associated with financial liabilities. The Co-operative is exposed to liquidity risk arising primarily from the current obligations. The Co-operative's ability to meet obligations depends on funds generated by its operations.

(d) Commodity price risk

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

4. Transactions with Federated Co-operatives Limited

(a) Patronage refund

The Co-operative, along with other Co-operatives in Western Canada, own FCL. At the end of each year, FCL divides a substantial portion of its net savings among these retail Co-operatives in proportion to the business done by each with FCL. During FCL's fiscal year ended October 31, 2023, the Co-operative purchased goods amounting to \$118,403,526 (2022 - \$118,445,790) from FCL in the normal course of operations.

These purchases resulted in a patronage refund from FCL which was received as non-cash consideration in the form of additional shares in FCL. FCL, based on its available cash flow, redeemed an amount of FCL shares held by the Co-operative. The amounts of the patronage refund and shares redeemed are as follows:

	2023	2022
Opening investment balance	\$ 16,013,214	\$ 15,485,434
Patronage refund	3,872,038	3,326,478
Share redemptions	<u>(2,743,017)</u>	<u>(2,798,698)</u>
Closing investment balance	<u>\$ 17,142,235</u>	<u>\$ 16,013,214</u>



Prairie Co-operative Limited
Notes to the Financial Statements
For the Year Ended November 30, 2023

(b) Asset retirement obligation

The Co-operative participates in a contaminated site management program established by FCL to manage its asset retirement obligations. This program limits the Co-operative's liability to \$25,000 per site as long as the Co-operative continues to exercise due diligence. The Co-operative has six sites under this program. Management believes that due diligence has been exercised. At year end, the Co-operative has accrued a liability in the amount of \$115,225 (2022 - \$112,174). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$3,051 (2022 - \$2,947).

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

(c) Purchase commitments

(i) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from FCL for its gas bar and cardlock operations over a ten year period commencing from November 2015. Failure to meet this commitment would require the Co-operative to immediately pay outstanding gas bar and cardlock loan balances owed to FCL, plus repay any gas bar and cardlock grants received, including interest on the grants compounded annually at 10% from the grant date. Total grants received during this period amounted to approximately \$1,772,004 (2022 - \$1,772,004). Management intends to fulfill all existing contracts with FCL.

(ii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from the FCL corporate bulk plant over a ten year period commencing from November 2016. Failure to meet this commitment would require the Co-operative to pay a portion of the capital costs of the bulk plant to FCL determined by a formula based upon usage. Management intends to fulfill all existing contracts with FCL.

(iii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase at least 90% of its total goods from FCL and commits, to the best of its ability, to use FCL's services. If the eligibility requirements are met, FCL will pay the Co-operative, on a quarterly basis, a Loyalty Payment based on cents per litre. The Loyalty Payment revenue is accrued as earned.

(iv) Under the terms of the agreement with FCL, the Co-operative has committed to purchase agricultural products, from FCL and continue to operate certain agricultural centres and Cardlocks for a 30 year period commencing from March 2018. Failure to meet this commitment would require the Co-operative to repay the assistance received on a prorated basis. Total assistance that would be repayable if commitments were not met without FCL approval as at November 30, 2023 amounted to \$1,634,811 (2022 - \$1,634,811). Management intends to fulfill all commitments with FCL.



Prairie Co-operative Limited
Notes to the Financial Statements
For the Year Ended November 30, 2023

(v) Under the terms of the agreement with FCL, the Co-operative has committed to purchase food and food-related, pharmacy, and home centre products, from FCL and continue to operate certain food, pharmacy, and home centre stores over a 30 year period commencing from April 2021. Failure to meet this commitment would require the Co-operative to repay the assistance received and accrued on a prorated basis. Total assistance that would be repayable if commitments were not met without FCL approval as at November 30, 2023 amounted to \$3,458,457 (2022 - \$3,458,457). Management intends to fulfill all commitments with FCL.

(vi) Under the terms of the agreement with FCL, the Co-operative has committed to purchase fertilizer products, at market price, from FCL over a five year period commencing from April 2019. Failure to meet this commitment would require the Co-operative to pay a termination charge to FCL determined by a formula based on purchases and years remaining in the contract. Management intends to fulfill all existing contracts with FCL.

5. Accounts receivable

	2023	2022
Customer accounts receivable	\$ 3,560,108	\$ 5,820,337
Other accounts receivable	43,686	8,335
Allowance for doubtful accounts	<u>(190,000)</u>	<u>(190,000)</u>
	<u><u>\$ 3,413,794</u></u>	<u><u>\$ 5,638,672</u></u>

6. Inventories

	2023	2022
Raw material	\$ 1,541,200	\$ 3,164,848
Goods for resale	<u>18,091,361</u>	<u>18,053,963</u>
	<u><u>\$ 19,632,561</u></u>	<u><u>\$ 21,218,811</u></u>

The cost of inventories recognized as an expense during the year was \$125,508,809 (2022 - \$124,184,727).

7. Long-term receivable

	2023	2023	2022	2022
Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion
Petroleum tanks	<u>\$ 106,051</u>	<u>\$ 78,051</u>	<u>\$ 28,000</u>	<u>\$ 88,349</u>
	<u><u>\$ 78,051</u></u>	<u><u>\$ 28,000</u></u>	<u><u>\$ 88,349</u></u>	<u><u>\$ 50,289</u></u>

The Co-operative has long-term interest free receivables covering petroleum tank equipment which are recoverable over three years. The receivables are secured by the petroleum tank equipment.



Prairie Co-operative Limited
Notes to the Financial Statements
For the Year Ended November 30, 2023

8. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2023 Book Value	2022 Book Value
Land	\$ 3,274,145	\$ -	\$ 3,274,145	\$ 3,274,145
Buildings	21,443,388	5,898,429	15,544,959	16,355,142
Pavement	4,422,904	2,013,518	2,409,386	2,608,463
Furniture & equipment	9,178,715	5,894,166	3,284,549	3,710,972
Computer equipment	1,878,681	1,272,755	605,926	233,400
Vehicles & equipment	6,426,193	4,732,958	1,693,235	1,317,523
Asset retirement cost	82,590	59,898	22,692	26,210
Assets under construction	2,770,722	-	2,770,722	-
	<u>\$ 49,477,338</u>	<u>\$ 19,871,724</u>	<u>\$ 29,605,614</u>	<u>\$ 27,525,855</u>

Depreciation for the current year included in operating and administration expense was \$2,450,705 (2022 - \$2,445,159).

9. Intangible asset

	Original Cost	Accumulated Amortization	2023 Book Value	2022 Book Value
Supply agreement	<u>\$ 774,854</u>	<u>\$ 129,142</u>	<u>\$ 645,712</u>	<u>\$ 710,283</u>

Amortization for the current year end included in operating and administration expenses was \$64,571 (2022 - \$64,571).

10. Line of credit

The Co-operative has a \$1,797,354 line of credit of which no amount has been drawn as at November 30, 2023 (2022 - \$nil). The line of credit is secured by a general security agreement on all Co-operative assets and a specific agreement on accounts receivable, inventory and equipment. Interest on the line of credit is at prime plus 0.25% (7.45%) (2022 - 6.2%).

11. Accounts payable and trust liabilities

	2023	2022
FCL payables	\$ 7,688,214	\$ 9,148,886
Other payables	1,765,897	1,669,494
Trust liabilities:		
Payroll deductions	-	84,990
Goods and services tax	82,389	105,895
Provincial sales tax	7,061	75,912
Federal fuel charge	223,251	345,002
Liquor tax	322	2,371
	<u>\$ 9,767,134</u>	<u>\$ 11,432,550</u>



Prairie Co-operative Limited
Notes to the Financial Statements
For the Year Ended November 30, 2023

12. Long-term debt

	Total	2023 Current Portion	2023 Deferred Portion	2022 Current Portion	2022 Deferred Portion
FCL line of credit ⁽¹⁾⁽²⁾	\$ 12,888,626	\$ 408,626	\$ 12,480,000	\$ -	\$ 9,601,886

(1) The line of credit, bearing interest at prime rate (7.20%) (2022 - 5.95%), repayable via an annual reduction in available credit, matures on December 2027. The line of credit was obtained to assist in funding of the agro/hardware centre in Cupar, SK. The line of credit is subject to certain non-financial covenants. The Co-operative believes it is in compliance with these covenants as at year-end and have been in compliance since the loan start date. Security for the credit consists of a general security agreement. The available line of credit decreases as follows:

January 1, 2023 - December 31, 2023	\$ 3,350,000
January 1, 2024 - December 31, 2024	2,680,000
January 1, 2025 - December 31, 2025	2,010,000
January 1, 2026 - December 31, 2026	1,340,000
January 1, 2027 - December 31, 2027	670,000

(2) The line of credit, bearing interest at prime rate (7.20%) (2022 - 5.95%), repayable via an annual reduction in available credit, matures on March 2031. The line of credit was obtained to assist in funding of the new food store and home centre in Melville, SK. The line of credit is subject to certain financial and non-financial covenants. The Co-operative believes it is in compliance with these covenants as at year-end and have been in compliance since the loan start date. Security for the credit consists of a general security agreement. The available line of credit decreases as follows:

March 2, 2023 - March 1, 2024	\$ 11,200,000
March 2, 2024 - March 1, 2025	9,800,000
March 2, 2025 - March 1, 2026	8,400,000
March 2, 2026 - March 1, 2027	7,000,000
March 2, 2027 - March 1, 2028	5,600,000
March 2, 2028 - March 1, 2029	4,200,000
March 2, 2029 - March 1, 2030	2,800,000
March 2, 2030 - March 1, 2031	1,400,000

The scheduled principal repayments on the long-term debt for the next five years and subsequent are as follows:

2024	\$ 408,626
2025	2,070,000
2026	2,070,000
2027	2,070,000
2028	2,070,000
Subsequent payments	4,200,000
	<u>\$ 12,888,626</u>



Prairie Co-operative Limited
Notes to the Financial Statements
For the Year Ended November 30, 2023

13. Share capital

Authorized, unlimited @ \$1	2023	2022
Balance, beginning of year	\$ 17,981,232	\$ 16,729,318
Allocation to members	1,770,652	3,349,041
Cash from new members	6,711	5,940
GST on allocation	84,356	68,843
Shares transferred from reserves	3,822	360
	<u>19,846,773</u>	<u>20,153,502</u>
General repayment	1,903,195	1,840,587
Shares transferred to reserves	271,960	1,218
Withdrawals and retirements	456,544	48,790
Withholding tax	388,756	281,675
	<u>3,020,455</u>	<u>2,172,270</u>
Balance, end of year	<u>\$ 16,826,318</u>	<u>\$ 17,981,232</u>

14. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2023	2022
Balance, beginning of year	\$ 5,262,501	\$ 27,487,372	\$ -	\$ 32,749,873	\$ 30,961,000
Net savings distributed to retained savings	-	-	2,708,713	2,708,713	5,137,056
Patronage allocation	-	-	(1,770,652)	(1,770,652)	(3,349,041)
Shares transferred	268,138	-	-	268,138	858
Reserve transfers	192,964	745,097	(938,061)	-	-
Balance, end of year	<u>\$ 5,723,603</u>	<u>\$ 28,232,469</u>	<u>\$ -</u>	<u>\$ 33,956,072</u>	<u>\$ 32,749,873</u>



Prairie Co-operative Limited
Notes to the Financial Statements
For the Year Ended November 30, 2023

15. Sales

	2023	2022
Food division	\$ 33,199,334	\$ 31,073,485
Non-food division	<u>110,318,276</u>	<u>113,454,137</u>
	<u><u>\$ 143,517,610</u></u>	<u><u>\$ 144,527,622</u></u>

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

16. Net interest

	2023	2022
Interest expense on		
- Short-term debt	\$ 6,780	\$ 14,023
- Long-term debt	463,797	231,233
Interest revenue	<u>(185,906)</u>	<u>(130,829)</u>
	<u><u>\$ 284,671</u></u>	<u><u>\$ 114,427</u></u>

17. Pension plan

The Co-operative participates in a multi-employer defined contribution plan whereby the Co-operative and participating employees contribute equal amounts up to the maximum allowed under the Income Tax Act. The Co-operative has no unfunded liability under this plan. During the year, the Co-operative recorded \$407,850 (2022 - \$380,986) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



Prairie Co-operative Limited
Notes to the Financial Statements
For the Year Ended November 30, 2023

18. Income tax expense

The Co-operative accounts for income taxes using the taxes payable method. As a result, the Co-operative's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	2023	2022
Savings before income taxes	\$ 2,944,991	\$ 5,880,917
Expected income tax expense at the combined tax rate of 24.9% (2022 - 27.0%) net of the general rate reduction	733,303	1,587,848
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(9,285)	3,798
Patronage allocation to members of \$1,770,652 (2022 - \$3,349,041)	(440,892)	(904,241)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	-	56,307
Capital cost allowance in excess of depreciation	(61,573)	-
Allowance for doubtful accounts	25,941	(7,218)
Other items that impact income taxes:		
Manufacturing and Processing Investment Tax Credit	(1,886)	(3,136)
Prior year tax adjustment	(9,330)	10,503
	<u>\$ 236,278</u>	<u>\$ 743,861</u>
Income tax expense	<u>\$ 236,278</u>	<u>\$ 743,861</u>

19. Subsequent event

Patronage allocation to members

Subsequent to November 30, 2023 the Board of Directors approved a patronage allocation to members in the amount of \$1,770,652 (2022 - \$3,349,041).

20. Commitment

The Co-operative is committed to the completion of a number of upgrades in the upcoming year for an estimated total cost of \$8,889,000 of which \$2,770,772 has been set up as under construction. The upgrades will be financed from operations and FCL line of credits.



Prairie Co-operative Limited
Unaudited Statistical Information
For the Year Ended November 30, 2023

Record of Sales and Net Savings

	<u>Year</u>	<u>Sales</u>	<u>Net Savings</u>	<u>%</u>
From Date of Incorporation, July 6, 1936 to November 30,	2014	\$ 713,522,880	\$ 42,758,767	6.0
	2015	79,792,414	7,321,102	9.2
	2016	85,548,494	4,120,847	4.8
	2017	88,332,031	3,085,295	3.4
	2018	92,470,744	3,763,885	3.9
	2019	91,995,112	3,178,225	3.4
	2020	94,911,643	2,869,465	3.0
	2021	106,475,215	5,124,445	4.9
	2022	144,527,622	5,137,056	3.6
	2023	143,517,610	2,708,713	1.9
		<u>\$ 1,641,093,765</u>	<u>\$ 80,067,800</u>	<u>4.9</u>

Membership

Members purchasing during the year	10,960
Inactive members	<u>1,488</u>
Total members	<u>12,448</u>

