2023 Annual Report

Sollio
Cooperative Group

Sollio
Cooperative Group

Mission

Rooted in our regions and leveraging our collective strengths, we nourish people by ensuring the prosperity of farming families to ensure a sustainable future for our world.

Vision

To be recognized as a leader of reference in our Canadian retail markets, in the North American agricultural market and in the International agri-food industry.

Values

Honesty

Each of us acts with the utmost transparency, both within our company and in our relations with member cooperatives and other stakeholders. We all admit our mistakes freely, give credit where due and seek to avoid conflicts of interest.

Equity

Each of us, like each working group, treats our partners fairly and equitably. We believe that everyone deserves to find their place within our large cooperative network, to be recognized there and to flourish.

Responsibility

Each of us fully assumes our role within Sollio Cooperative Group, in particular by ensuring the sound management of our members' collective assets, by ensuring they fulfill their individual, mutual and collective commitments, remaining fully accountable for their actions, and by embracing the goal of sustainable development.

Solidarity

Driven by a desire for mutual aid, we consult and advise one another to achieve our common goals. We work hand in hand, in an open, consistent, methodical manner and rally around decisions made for the common good of our company.

Sollio Cooperative Group: it's you, it's us.

Producers, processors, hardware dealers, employees.
People dedicated to developing our practices to continue building a prosperous future for our local farming families and consumers.

We are the largest agri-food cooperative in Canada, with strong roots in Québec. We are people of the land, forward thinkers with our feet planted in the present, our sights set on the future. We are resilient and determined to preserve farming and food resources and transform them into collective wealth.

At Sollio, we grow, raise, produce and process locally to do our part every day to build the economy of tomorrow. We are present, from Farm to Table, throughout the Nation. Our three divisions, Sollio Agriculture, BMR Group and Olymel, serve as lead economic drivers in the agriculture, retail and food sectors. Our network of cooperatives actively contributes to the vitality of all Québec regions.

For you, for us, the plan is clear: ensure the prosperity of locals and future generations for centuries to come.

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Building, feeding and nourishing communities for over 100 years.

Highlights

	2019	2020	2021	2022	2023
Revenues (in thousands of dollars)	$6,355,401	$6,929,665	$7,536,369	$8,434,105	$8,256,857
Earnings (loss) before patronage refunds, income taxes and discontinued operations (in thousands of dollars)	$69,231	$211,124	$42,839	$(289,362)	$146,815
Dividends paid to the cooperative pork chain (in thousands of dollars)	$11,200	$2,400	$7,700	$ -	$ -
Patronage refunds (in thousands of dollars)	$17,600	$29,200	$ -	$ -	$ -
Working capital (in thousands of dollars)	$395,499	$639,904	$577,715	$579,177	$239,309
Preferred shares and equity of the Cooperative (in thousands of dollars)	$1,780,586	$2,032,586	$2,099,983	$1,733,516	$1,767,352

2023

(In thousands of dollars)

$239,309
Working capital

$8,256,857
Revenues

$2,415,291
Property, plant and equipment and productive biological assets - Cost

$35,456
Operating earnings

$1,162,742
Property, plant and equipment and productive biological assets - Net carrying amount

$146,815
Earnings before patronage refunds, income taxes and discontinued operations

$3,750,518
Total assets

$ -
Patronage refunds

$596,672
Long-term debt and obligations under capital leases including current portion

$115,370
Net earnings

$1,333,749
Accounts receivable and inventories

$1,767,352
Preferred shares and equity of the Cooperative

$1,453,667
Current assets

15,960
Number of employees

President's message
Richard Ferland

A big step in the right direction

Sollio Cooperative Group has again demonstrated its great resilience, posting financial results that contrast with those of the last two years. With consolidated sales of $8.3 billion, Sollio Cooperative Group generated net earnings of $115.4 million for fiscal 2023. The business turnaround plan and the asset optimization plan have been successes. Our many efforts were not in vain.

The sale of assets has allowed us to reduce our debt and reposition certain sectors, depending on their strategic nature, for the future. Choices had to be made to ensure our actions were as targeted as possible, with the least amount of collateral damage.

We were determined to succeed and rebuild solid foundations. With the optimization plan now completed, the situation has improved, but there are still many challenges. Optimization, operational efficiency and consolidation efforts will need to continue.

The good results of the last fiscal year are encouraging, but we need to remain vigilant. Rising interest rates, inflationary pressures, the labour shortage, market fluctuations and our debt ratio are all factors that call for caution.

To lead us into the future, strategic planning is underway to optimize our performance and make our divisions stronger. The gains anticipated by strategic planning initiatives are structural and are expected to generate benefits, not only in the short term, but more importantly, over the long-term.

Challenges for Sollio and the network

Over the course of the past year, I had the privilege of touring cooperatives in our network. I made great discoveries and enjoyed inspiring encounters with people who love their work. People for whom cooperation and wealth creation, across all our regions, are priorities at all times: hard-working employees, dedicated leaders and committed producers. Managers and elected representatives are on the lookout for business opportunities to create wealth for their members.

These discussions also provided an opportunity for us to take stock of important issues. Among the major challenges that Sollio Cooperative Group and its network must face is the realignment of hog production and its profitability chain. This is a major challenge for all stakeholders in the pork industry.

Hog production has gone through a serious crisis. No link in the chain has been spared, both in production and processing. Sector consolidation has not only hit Québec, but also the United States, Europe, and the rest of Canada, where farms and plants have had to shut down due to a lack of profitability.

It's never pleasant to manage negative growth. Independent pork producers have been hit particularly hard. We had to reorganize the supply chains and slaughter infrastructure. The decision to close our pork processing plant in Vallée-Jonction, in the Beauce region, was undoubtedly one of the hardest in the history of Sollio Cooperative Group.

Board of Directors

Richard Ferland
President

David Mercier
Vice-President

Jean Bissonnette, ASC
Vice-President
Audit Committee Member

Ghislain Gervais, ASC
Director

Cathy Fraser
Director

Adrien Pitre
Director

Marc-André Roy, ASC
Director
Audit Committee Member

Patrick Soucy
Director
Audit Committee President

Normand Lapointe
Director
Audit Committee Member

Sophie Gendron
Director

Lucie Boies
Director

Guy Labrecque
Director
Audit Committee Member

Denis Lévesque
Director

Jeannine Chartrand
Director

Jean-François Roy
Director

François R. Roy, ASC
Guest director
Audit Committee Member

Paule Têtu
Guest director

We are proud of the contribution of hog production and processing to the economy of Québec and Canada. It is a highly dynamic sector, driven by people with passion from every angle. Let's make sure that this sector continues to be a major contributor to the economy and development of the regions for years to come.

The strengths of the cooperative model

We are both owners and users of the cooperative, which is one of the biggest strengths of the cooperative model on which we can and must rely. As owners of the cooperative, we are its directors and the decision makers of its strategic orientations. As users of the cooperative, we take a critical look at the organization.

Being owners-users pushes us to constantly rethink our methods. It's this strength that makes the business model relevant to our members and contributes to the sustainability of the cooperative model.

For 100 years now, agricultural producers have been investing in the cooperative, 100 years of believing in this business model. And in the world of agriculture, one of our greatest prides and one of our greatest values is the next generation.

Sollio Cooperative Group has always prided itself on supporting the next generation. Our various succession programs have been a success, and we continue to improve them on an ongoing basis, as evidenced once again this year by the increase in the amounts paid to the Fonds coopératif d'aide à la relève agricole.

As farmers, we always want to pass on an improved business to the next generation. As members of one of the largest agri-food cooperatives, this is also what we want for our organization: to bequeath to future generations a cooperative that is always in a better position, always stronger and more successful.

Sollio Cooperative Group is a flagship of the agri-food sector, which contributes to the prosperity of farming families. I am convinced that our cooperative model, our size, our track record, our human resources and our equity will enable us to be mainstays of prosperity for farming families for many years to come.

To do this, we cannot ignore major environmental and societal issues. We must participate in and contribute to the fight against and adaptation to climate change. As we saw again this year, agriculture is on the front line when dealing with the vagaries of weather. When it comes to climate change, agriculture is both a victim and a source of solutions.

Sollio Cooperative Group and its network are well positioned to be a mobilizing force to feed the world in a sustainable way.

Our cooperative model, our corporate responsibility approach, our research efforts, our quality human resources and our presence across the territory are all assets that allow us to continue to improve our environmental performance and support agricultural producers by offering them innovative solutions. I deeply believe in this collective strength fuelled by passion, pride, commitment and altruism.

In closing, I must emphasize that I am surrounded by an exceptional and talented team of managers and directors. It is a great privilege to be able to count on the solidarity, experience and competence of the directors, managers and employees of Sollio Cooperative Group and the cooperative network.

On behalf of myself and the Board of Directors, I would also like to thank the network for its support as well as Pascal Houle, Chief Executive Officer, his teams, and all employees. It is their efforts, dedication and perseverance that allow Sollio Cooperative Group to embark on the next 100 years of its existence in style.

Message from the Chief Executive Officer

Pascal Houle, CPA

The Sollio Cooperative Group returns to profitability

After two particularly difficult years for our finances, we are pleased to see our cooperative return to profitability at the end of fiscal 2023. Consolidated results, up sharply this year, are gratifying and testify to the major turnaround work undertaken. For the fiscal year ended October 28, 2023, Sollio Cooperative Group recorded sales of $8.3 billion and net earnings of $115.4 million, including a loss from discontinued operations. In fiscal 2022, sales totalled $8.4 billion, while the Cooperative recorded a net loss of $336.9 million. Sollio Cooperative Group's balance sheet also significantly improved with a decrease of $610.5 million in long-term debt.

The disciplined strategic approach we opted for two years ago is now paying off. This resulted in an overall asset optimization plan that does not jeopardize the marketing tools and services available to member-producers or the organization's strategic capabilities. The decisions taken in this context, whether to sell assets or downsize certain operations, have enabled us to significantly improve our financial position and report much more satisfactory results this year.

The most significant turnaround occurred at Sollio Food with the division's net earnings up $584.4 million compared to fiscal 2022. The actions implemented to improve performance of the fresh pork sector, such as renegotiations of agreements, the difficult decision to reduce slaughtering and the massive influx of foreign workers, made it possible to generate higher value-added products, thereby improving operating margins. Other factors contributing to improved results included the reopening of market access to China.

Sollio Agriculture reported a $77.3 million decrease in its net earnings compared to fiscal 2022. This difference is mainly due to the write-down of long-term assets and the exceptional results recorded last year in the crop production sector. The repositioning of the grain sector has also generated significant positive effects.

Sollio Retail also reported satisfactory results given the economic situation, with net earnings down by $6.5 million. After many prosperous years, the construction and renovation industry is currently operating in an unfavourable economic context. The key to success will be an increase in housing starts, which we hope to see over the coming year.

Needless to say, I'm proud of the implementation of our optimization and turnaround plan, which is the fruit of the unwavering commitment of all our teams and which was implemented without affecting our core business. I am also satisfied with the results of our divisions, which met or exceeded expectations. The work carried out on the organization's financing and capital has also enabled us to position ourselves more favourably in relation to our creditors and generate substantial savings. This turnaround illustrates our organization's ability to transform, adapt and evolve in a constantly changing economic landscape.

Our pride in this achievement, however, must also be matched by our desire to continue the work. Despite this return to overall profitability, the coming year will be marked by the continuation of the various initiatives undertaken over the past fiscal year, and the logical follow-up to our turnaround and optimization plan. We must continue to build up our foundations and put in place the mechanisms to ensure we are a resilient, disciplined and sustainable organization.

Management Committee

Pascal Houle, CPA
Chief Executive Officer

Alexandre St-Jacques Burke, FRM
Chief Financial Officer

Me Josée Létourneau
General Secretary
Legal Affairs

Casper Kaastra
Executive Vice-President
Chief Executive Officer
Sollio Agriculture

Alexandre Lefebvre, MBA
Executive Vice-President
Chief Executive Officer
BMR Group

Yanick Gervais, M. Fisc., CPA
President and Chief
Executive Officer
Olymel

Stéphane Forget, MBA, ASC
Senior Vice-President, Public Affairs,
Cooperation & Corporate
Responsibility

Saad Chafki
Senior Vice-President,
Information Technology

Stéphanie Couturier
Senior Vice-President,
Communications

Marc Gauthier
Senior Vice-President,
Human resources

Strategic planning, currently underway at Sollio Cooperative Group and within each division, will enable us to confirm our orientations and priorities for the coming years. Several initiatives have been identified to optimize our performance and strengthen our divisions to face the challenges ahead. One of the major projects that awaits us is improving operational efficiency, an essential pillar to ensure our sustainability and competitiveness, and which will enhance our agility and relevance.

Cooperative values are at the heart of our projects

The financial challenges we had to quickly surmount over the last years have inevitably limited the number of projects undertaken by the organization. Nonetheless, we have carefully selected promising and essential projects on which to focus in order to remain a player of choice in the industries in which we operate. Such is the case with our proactive and committed approach to corporate responsibility, which reached significant milestones during the year. Firstly, to ensure that our future actions were well founded, we consulted our internal and external stakeholders. The information gathered will enable us to integrate a diversity of perspectives into an action plan, which will constitute a strategic roadmap for the years to come. In the same vein, we carried out an in-depth assessment of our environmental impact by carrying out our water and greenhouse gas (GHG) emission reviews. The crucial data collected was the fruit of meticulous work and will form an important basis for setting our targets.

The embodiment of our cooperative values was reflected in many other ways over the past year. In particular, we are continuing to implement an ethical approach within the organization, in order to reiterate to employees the importance of ethical conduct, which is fundamental to an organization's long-term success.

Equity, one of Sollio Cooperative Group's four cooperative values, takes on its full meaning as we move towards a more equitable, diverse and inclusive corporate culture (EDI). A 2023-2025 action plan has been drawn up to help bring this culture to life on a daily basis in our cooperative.

Sollio Cooperative Group's new century began with a landmark year. Fiscal 2023 has been a challenging one financially, but it has also been marked by exceptional resilience and significant achievements for our organization. We're not at the end of the tunnel but we're certainly entering a new phase. Unwelcome as they were, there's no doubt that the challenges we've faced of late have strengthened our commitment to excellence and shaped our vision for a more prosperous future.

In closing, I would like to extend my sincere thanks to the members of Sollio Cooperative Group's Board of Directors, including our President, Richard Ferland, for their constant support. Many thanks also to the elected representatives and managers of the cooperatives in our network for their solidarity and trust over the past few years. Special thanks to my colleagues on the Executive Committee, and to our divisional managers, who have faced adversity with leadership, courage and determination. Finally, I would like to acknowledge the work of all the employees of Sollio Cooperative Group and its divisions – competent and dedicated people who take pride in carrying out our mission.

Sollio Agriculture™

Sollio Agriculture

Casper Kaastra
Executive Vice-President
and Chief Executive Officer of Sollio Agriculture

Pursuing Sollio Agriculture's full potential

Sollio Agriculture's net sales for the 2022–2023 fiscal year came in at $2,802 billion, compared to $2,929 billion for 2021–2022. This $127 million decrease is primarily due to lower input prices for most commodities in a volatile market, particularly those of grain and fertilizer, and slightly lower volumes in feed and certain crop inputs.

The economy remains unstable, with the impact of inflation and high interest rates still important, and new geopolitical challenges added to those that are still ongoing. Despite these many challenges, Sollio Agriculture has managed to stay on course, delivering significantly improved operating results and continuing to pursue its full potential. In particular, we performed well against key indicators such as our targeted debt level and earnings before interest, tax, depreciation and amortization (EBITDA).

Livestock Production

Net sales in the livestock production activities were down from last year. In Québec, the commercial volumes declined, particularly in the pork sector, with lower production as a result of reduced processing demand, and in dairy, where cash flow pressure at the farm level led to a tendency to minimize herd feed costs. In the West, however, net sales increased as higher grain ingredient sales outweighed lower revenue from complete feed. In the Atlantic provinces, the slight drop in sales was the result of volume declines in pork and poultry production, which outweighed gains in dairy and other ruminant production.

Overall, contributions from partnerships in Québec were down from the prior year, mainly due to declining margins, higher freight costs and challenges in pork production activities. Additionally, Couvoir Côté's results were affected by the impact of avian flu at one of its egg suppliers, which resulted in higher supply costs to the hatchery.

At the same time, poultry volumes increased through the period. Investment in infrastructure, recruitment of experienced staff and improvements in operational processes led to a substantial improvement in chick quality through the second half of the year, with a corresponding positive impact on results and customer satisfaction.

Crop Production

The crop production activities performed well this year, with net sales that exceeded expectations, albeit down from 2021–2022, which itself was a record year. This was mainly due to a sharp fall in fertilizer prices during the procurement period. Overall, the majority of Canadian joint ventures performed extremely well over the past year, even with results below record contributions from the prior year.

In Eastern Canada, volumes were significantly higher with reductions in crop input prices. In Western Canada, sales revenue was down due to a general decline in commodity prices combined with high market volatility throughout the year.

Our Distribution Network

Revenues from crop protection product sales were lower in all regions, mainly as a result of a drop in glyphosate pricing from its peak in 2022. Simultaneously, the trend continues where a number of older molecules are being replaced by higher-value products that are safer and more selective. Organic product sales remained stable.

Among our seed activities, Maizex performed well. The business benefited from higher sales volumes and prices across the country, with strong growth in Western Canada and a breakthrough in soybean and corn in the Atlantic provinces. Volumes of other seed products were generally lower across all regions, particularly in cereals and exclusive and non-exclusive forage products.

Exit from grain merchandizing

Net sales in the grain activities were down in 2023, in line with planned initiatives for an orderly exit from this business segment. In addition to the sale of Ontario Grain's assets, remaining export contracts were finalized in 2022–2023, considerably reducing the volumes merchandized compared with previous years. Results from our shares in Sollio & Grains Québec were down from the prior year, mainly due to higher operating costs and tighter margins.

Highlights of the year

Last year saw the completion of a major strategic planning exercise which established a series of initiatives to achieve operational excellence and optimize our product and service offering while improving overall performance of the network. Continuing the work started in recent years, the strategy focuses on our core business of supplying farmers with innovative, relevant and sustainable inputs and solutions that add value to their businesses. The groundwork has now been laid so that we can begin implementing these initiatives in the coming fiscal year.

Sollio Agriculture's technological development remains a priority, particularly to ensure that our systems and technological tools are reliable and that data is properly protected. We are also continuing our initiatives to encourage more farmers to adopt our digital tools, which promote more sustainable practices and support decision making on the farm.

Another highlight has been the rollout of our corporate responsibility action plan, with the launch of many promising projects designed to help us deliver on our commitments. Concrete examples include the commissioning of the CRF AgriTech plant for manufacturing PurYield coated fertilizer; our participation in AgroCarbone Grandes Cultures to support actions to reduce and sequester greenhouse gases on farms; and our adoption of a framework for sustainable agriculture that will guide our selection of projects and investments, particularly those related to innovation and technology. These projects help make our services more relevant amidst efforts to fight and adapt to climate change. Joint consultations of our stakeholders in collaboration with Sollio Cooperative Group also gave us a better understanding of our organization's environmental impact and helped us identify the issues to prioritize in light of their expectations.

To achieve our goals, we rely on an essential resource: our people. They have rallied to help us meet our objectives of the past year, and I would like to thank each and every one of them for their efforts. Special mention also goes to the employee experience initiatives we've put in place to engage, retain and foster the growth of our valued team—initiatives we're committed to continuing to deliver.

In closing, I would like to thank Pascal Houle, Chief Executive Officer of Sollio Cooperative Group, who continues to support us as we implement our strategic plan and improve our financial health. I would also like to thank Sollio Cooperative Group's Board of Directors for supporting projects that allow us to pursue our strategic objectives while navigating ongoing volatility in the agribusiness environment. We can count on our local presence and expertise to help us reap the full benefits of our business model and contribute to the cooperative's prosperity.

Matt & John McRae
Finalist
Sollio Next Generation Award
2023-2024

Building a world rooted in solidarity and cooperation.

Sollio Retail

BMR GROUP

Alexandre Lefebvre, MBA
Executive Vice-President
and Chief Executive Officer of BMR Group

Building on solid foundations

BMR Group reported positive results for the past fiscal year with total sales reaching $1.464 billion, shrugging off complicated economic conditions.

The organization had to deal with headwinds during 2023. Pressure on revenues was significantly increased by unusually high interest and inflation rates, higher household debt levels, a record low number of housing starts, primarily in Québec, and commodity prices that returned to the same levels as in 2020 and 2021.

Nonetheless, BMR Group delivered solid results, mainly driven by our team's great agility, the numerous initiatives implemented to streamline operations and the in-depth review of several product categories. In addition, we implemented pricing zones and revised the circular process to improve consumer price perception. All in all, BMR Group's performance exceeded expectations, despite the economic environment.

The BMR family continues grow

BMR Group is constantly strengthening its presence in the construction and renovation industry, and the BMR network grows year after year. Vendors share common values and choose BMR group because they see us as a partner in pursuing growth and ensuring sustainability of their business. Four new vendors from Québec and Ontario joined the BMR network this year, enabling us to increase our sales volumes, expand our footprint in key markets and strengthen our Eastern Canada growth objective.

2023 - A year highlighted by private brands and the main product category review

Innovative initiatives were implemented to further bolster customer appreciation for our brand. To offer consumers a wider range of up-to-date products, we continued the review of the outdoor, flooring, tools and finishing plumbing categories. Consumers greatly appreciated this major transformation, and stores are already seeing positive results.

BMR Group also improved and enhanced its product offering under private brands. With the deployment of these brands, we are in a position to provide our customers with a more competitive offering of comparable quality to national brands. We will continue our efforts on this front over the coming months, when a number of additional products will be launched.

BMR Group also announced in June 2023 the signing of a strategic partnership with A.R.E.N.A. Alliance to supply renovation products and home equipment. This new partnership will no doubt help strengthen our competitiveness in the market and position ourselves as an undisputed leader in the industry. With a number of offices across the globe, A.R.E.N.A. Alliance is now, following the arrival of BMR Group, the number four in retail sales worldwide, with a combined volume of €16 billion and 4,500 stores across 12 countries.

Our Distribution Network

BMR agrizone Potvin & Bouchard Groupe Lefebvre

Our team, a driving force

BMR Group is making significant efforts every day to ensure its team members' health and well-being. During the year, we established a diversity, equity and inclusion policy and opened an educational daycare at our head office in Boucherville. We continued to focus on the development of our employees and vendors, including a new cohort of the Le Tremplin program, which offers managers the opportunity to acquire and sharpen management skills. We also advanced the project to transform the Marketing team into a matrix structure, which will ultimately enable us to improve the product and service offering to support the growth of BMR and its vendor network.

Well positioned for the future

Amid indicators pointing to an economic slowdown in Canada in 2024, we're kicking off the new year with confidence and enthusiasm. BMR Group is based on solid foundations, a talented team and a network of vendors and partners together with whom we shall face the challenges ahead. We will continue to optimize our operations, improve services offered to our vendors, actively recruit new vendors and strengthen our alliance with A.R.E.N.A.

We believe that demand will be strong over the next decade, considering the current housing shortage and immigration projections. In this context, BMR must further strengthen its position with the contractor clientele and reaffirm its commitment to being a leader in renovation and construction. Lastly, I would like to thank our vendors, network cooperatives and Sollio Cooperative Group for making possible what we achieved last year. I also extend my warmest thanks to our team members for their dedication to making BMR Group the large and successful organization it is today.

BMR, welcome home!


Luymes Farms
& Custom Farming
Finalist
Sollio Next Generation Award
2023-2024
Feeding the world with love.

Yanick Gervais, M. Fisc., CPA
President and Chief Executive Officer of Olymel

2023: A year of major challenges, opportunities and restructuring projects

After a difficult year in 2022, decisions made by Olymel had a marked impact, enabling the organization to post financial results for 2023 that exceeded its objectives. In particular, net sales rose to $4.708 billion from $4.598 billion for the previous year.

A focus on value-added products in the fresh pork sector contributed to a significant improvement in meat margins, and, despite a number of challenges, we delivered solid results for the year. The measures rapidly implemented were effective, limiting impacts on profitability.

While the poultry sector has generated excellent results over the past three years, 2023 stands out for its remarkable performance. This was partly due to formula-based sales, strong demand for dark meat products and excellent margin management.

Site restructuring and tight control of operating costs led to improvements in manufacturing overhead costs in 2023.

In human resources, renegotiation of collective bargaining agreements, the arrival of temporary foreign workers and measures taken to address absenteeism and employee retention enabled Olymel to operate plants at near full capacity at the end of 2023.

In the fall, we carried out an optimization process for our distribution sector and administrative operations by creating a strategic centre in Boucherville, where Olymel will relocate its head office in 2024.

Hog production

As in last year, the results for both the Western and Eastern hog production sectors were negatively affected by high grain prices.

In the East, following the announcement of the discontinuation of slaughtering at the Vallée-Jonction plant, Olymel temporarily reduced its hog production last fall. This decision made it possible to rebalance production and slaughtering capacity while awaiting provincial decisions on the level of reductions.

Out West, we had to announce the closure of five farms and breeding facilities in July. The impact will be felt at the Red Deer plant beginning in February 2024. The market conditions that have prevailed for several months have led Olymel to reduce production by around 200,000 hogs per year in the West, to rebalance production and slaughtering capacity.

Lastly, Olymel has actively continued its work with public authorities and the industry to implement monitoring measures to prevent an outbreak of African swine fever, in addition to collaborating on a plan to reduce production in the event of an outbreak of the disease in Canada.

Fresh pork – East

The Eastern fresh pork sector's results improved significantly in 2023, a year marked by major restructuring, including the closure of our Saint-Hyacinthe, Princeville and Vallée-Jonction plants. In the spring, we also announced a reduction in slaughtering of 855,000 hogs.

The marketing agreement with Les Éleveurs de porcs du Québec was renewed in April, providing for new pricing formulas for hogs that better reflect the market conditions in which we operate. I would like to commend the quality of the discussions we had and the spirit of good faith in which the negotiations were conducted, as well as the efforts made by all parties involved to reach this agreement.

Regarding sales, the average number of loads to China continued to decrease due to more value-added production of certain products such as boneless pork legs. Note that all our fresh pork plants were authorized to export to China in 2023. Volumes of chilled products bound for Japan declined slightly compared with the previous year, while the launch of these same products in Canada was a great success.

The number of hogs slaughtered and the average weight also decreased, affecting the number of kilos sold. Olymel's market share in Québec also declined due to the decrease in slaughtering.

Fresh pork – West

The Western fresh pork sector ended 2023 with results exceeding prior year performance, and as in the East, benefitted from full access to the Chinese market. This partly explains the increase in sales which, combined with lower supply costs, resulted in positive meat margins higher than in the previous year.

Since the Red Deer plant carries out both slaughtering and cutting in a single shift throughout the year, deboning rates increased significantly, and the level of chilled product sales was maintained.

Further processed pork

The further processed pork sector's results were significant in 2023. The sector had to be reorganized and optimized, which involved closing the Laval and Blainville plants and transferring hams, deli meats, pâtés and cretons to the Saint-Henri, Trois-Rivières and Cornwall plants.

In 2023, all plants in the further processed pork sector participated in renewing a major private brand contract, which enabled Olymel to meet its objective of increasing profitability.

Bacon

Importantly, in 2023, the bacon sector was hit with a long general strike of union employees at the Drummondville plant, requiring several reorganizations of operations and transfers of production to the Cornwall plant. Despite this situation, the bacon sector posted another record year of profits in 2023, surpassing the previous year.

Fresh poultry

Despite recording a decline, the poultry sector continued to perform very well in 2023, after generating historic results in 2022. The year was marked by the sale of Olymel's interest in Volaille Giannone in April and the purchase, at the end of 2023, of a guaranteed supply volume, representing approximately 40,000 birds per week. This purchase, along with increased slaughtering speed and chain efficiency, will enable us to generate even higher poultry margins in the coming year.

Selling prices, which remained at high levels, combined with continued initiatives to optimize our operations, enabled the poultry sector to generate a significant contribution.

Olymel's market share for turkey in Canada and Québec declined in 2023. Bird quality continues to be a major issue, as well as cysts in male birds. However, it appears that the production volumes in 2024 will have a negative effect on our results, amid increased imports of turkey meat from Chile.

Further processed poultry

Continuing the trend in 2022, further processed poultry generated excellent results in 2023. Even though the number of kilos sold were lower compared with 2022, increased selling prices resulted in higher meat margins. The renegotiation of several collective bargaining agreements led to an increase in direct labour costs.

A restructuring of operations at the further processed poultry plants began at the end of 2023, with the announcement of the closure of the Paris, Ontario plant that will lead to the redevelopment of the Oakville plant in 2024 and to investments at the Sainte-Rosalie plant to boost production capacities.

In the food service sector, the contracts with "formula-based" selling prices created in 2022, which made it possible to ensure contributions regardless of changes in live bird prices, proved to be successful in a context of high livestock prices. In the retail sector, higher margins offset a decrease in volume.

Our Brands

Feeding the world with tomorrow in mind

In 2023, Olymel was able to make the necessary and difficult decisions to get through an exceptional crisis and turn around its financial position of the last few years, 2022 in particular.

The impact of all the actions carried out quickly proved effective, and all these measures, united around an optimization plan, enabled us to achieve a historic turnaround in the organization's results in one year. Nonetheless more efforts are still needed to reach the break-even level in the fresh pork sector and maintain our momentum in the other sectors.

Major projects were also launched during the year, including the implementation of brand-new integrated management systems (ERP, HRMS), the development of a corporate responsibility policy, the streamlining and optimization of our distribution and storage operations and, finally, a major human capital project.

Olymel has embarked on a major strategic planning project and value creation initiatives for taking short-term actions and making informed medium and long-term decisions. An important focus for 2024 will be working capital management to continue reducing debt.

I would like to thank Pascal Houle, Chief Executive Officer of Sollio Cooperative Group, and Richard Ferland, President of the Board of Directors, and all the directors, for their unwavering support of Olymel.

Finally, I would like to acknowledge and express all my gratitude for the efforts and perseverance of our employees who, during this year of major changes, were able to adapt, to support our organization as it evolves and have demonstrated, through their resilience, the strength of their commitment. I am extremely proud of what we have succeeded in achieving together.

We will continue to do what we do best: feeding the world with tomorrow in mind!

Ferme Agricouture
Finalist
Sollio Next Generation Award
2023-2024

Working today to build tomorrow.

Sollio Cooperative Group

Financial position

Sollio
Cooperative Group

Alexandre St-Jacques Burke, FRM
Chief Financial Officer

Repositionned for the future

The results reported in this financial review clearly demonstrate the significant turnaround achieved by Sollio Cooperative Group [the "Cooperative"]. Our balance sheet is once again aligned with our long-term objectives and given the financing projects completed this year, our overall financing cost will be significantly lower in the upcoming fiscal years.

Market trends

Since 2020, the Cooperative's results have been greatly impacted by turbulent capital markets.

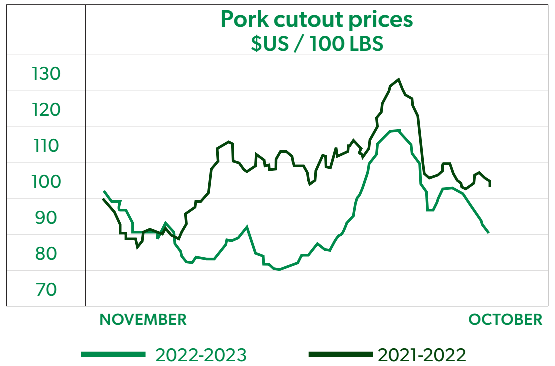
Foreign exchange and interest rates

In fiscal 2023, the U.S. dollar exchange rate was favourable for exports, remaining above 1.3100 throughout the year, with an average of 1.3485 compared to 1.2874 in fiscal 2022. The Japanese yen exchange rate had the opposite effect with an average of 0.0102 in 2023 compared to 0.0971 in 2022, and in addition was highly volatile.

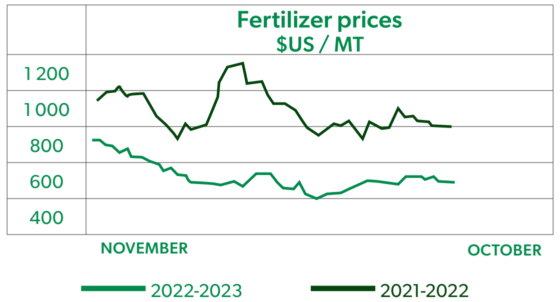
Interest rates continued to rise in 2023. The Bank of Canada's prime interest rate rose from 3.75% to 5.00% during the year, affecting the Cooperative's cost of borrowing.

Commodity prices

The average price of pork cuts was US$90.73/100 pounds for 2023, down 12.3% from the previous fiscal year. The 11.5% decline in corn prices partially offset the decline in pork prices, but average hog production margins during the fiscal year were lower than in 2022, impacting the results of hog production sectors. However, the resumption of exports in some markets and actions taken to increase the value of our operations generated higher profits in the fresh pork business.

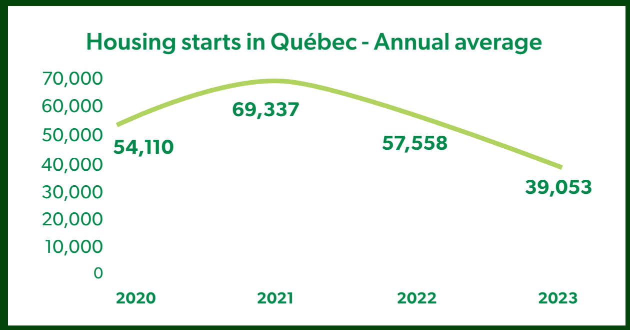


In terms of agricultural inputs, fertilizer prices dropped sharply in 2023 to average US$638.90/metric tonne, down 40.5% compared to fiscal 2022 when the conflict in Ukraine had a direct impact on world prices. This price decline had a significant favorable effect on the reduction of Sollio Agriculture's working capital.



Housing starts

Housing starts in Québec plunged 32% in 2023, a historic decline that significantly impacted Sollio Retail, particularly in the contractor segment.



Review of 2023 financial results

The Cooperative's consolidated sales totalled $8.3 billion in 2023, down $177 million or 2.1% from fiscal 2022. This decrease is mainly attributable to Sollio Retail with market interest rate hikes affecting demand for building materials and hardware products.

Cost of sales and selling and administrative expenses totalled $8.1 billion compared with $8.6 billion for the previous year. This decline was observed across all divisions, but to a greater extent within Sollio Food, owing to lower hog supply costs in 2023 and the decrease in slaughtering during the year.

Net financial expenses increased to $90.7 million in fiscal 2023 from $84.0 million for the previous fiscal year, driven primarily by hikes in the Bank of Canada's prime interest rate. The reduction in debt allowed to significantly limit the increase in total interest expense.

Based on the results of its divisions, Sollio Cooperative Group reported consolidated operating earnings of $35.5 million, compared with an operating loss of $227.5 million in fiscal 2022.

Other income and expenses include the share of results of joint arrangements, namely businesses in which Sollio Cooperative Group has joint control. This share totalled $63.5 million in 2023 compared with $60.0 million in the previous fiscal year. Although the shares of joint arrangements in the fertilizer sector were down compared to the exceptional results of 2022, a Sollio Food joint arrangement posted an exceptional loss in 2022 that was not repeated in 2023.

The share of results of entities subject to significant influence, namely businesses in which the Cooperative has an investment of less than 50%, amounted to $7.4 million in fiscal 2023, compared with $12.4 million in 2022. This decline is mostly explained by a smaller share of results of an entity operating in the slaughterhouse by-product valorization sector.

Investment income, which represents interest and dividend income from investments, totalled $2.7 million in 2023 compared with $2.8 million for the prior fiscal year.

Net gains (losses) on disposal and write-down of assets amounted to $24.7 million in fiscal 2023 compared with a loss of $161.4 million in 2022. The 2023 gain was mostly generated by the disposal of an investment held by Sollio Food, partly offset by the writing down of certain assets. The 2022 loss resulted from the impairment of intangible assets and goodwill in Sollio Food.

Gains on remeasurement of interest rate swaps represented a gain of $9.4 million in 2023 compared with $22.3 million for the previous fiscal year. The significantly higher value in 2022 was driven by the sharp rise in interest rates during the year. All swaps were settled during the year to realize gains. A new series of financial instruments covering a $250 million debt was entered into since then.

In 2023, gains arising from insurance benefits amounted to $3.8 million, compared with $2.1 million in 2022. These were amounts received from insurance claims.

Balance sheet

As at October 28, 2023, the consolidated balance sheet of Sollio Cooperative Group showed assets totalling $3.8 billion compared with $4.6 billion as at the end of the previous fiscal year. This decrease is reflected in both current assets, down $475.0 million, and in long-term assets, down $351.9 million. The change in current assets resulted mainly from the decrease in Sollio Agriculture's agricultural and other inventories, due primarily to the difference in the fertilizer volume, in line with the division's objective to limit its exposure to price fluctuations until the next season, as well as to the significant reduction in the grain sector following the discontinuation of grain export activities. The decline in long-term assets was mainly due to disposals made under the ambitious asset sale program aimed at divesting non-strategic assets. The plan to reposition activities also led to the recognition of impairment losses on the Cooperative's infrastructures, further reducing long-term assets.

The disposal of assets during the year significantly reduced the level of utilization of the consolidated credit facility, which improved the Cooperative's debt-to-equity ratio. This ratio stood at 26:74 at the end of fiscal 2023 compared with 41:59 as at the end of the previous fiscal year. Share capital, contributed surplus and reserve totalled $1.8 billion as at the fiscal year-end compared with $1.7 billion as at the previous fiscal year-end. These items represented 47.1% of total assets in 2023 compared with 37.9% as at the previous fiscal year-end.

For its long-term debt, as at October 28, 2023, Sollio Cooperative Group had secured, through agreements with Canadian financial institutions, the financing required for ensuring the smooth running of its operations. Our primary agreement with a syndicate of financial institutions consists of an overall credit facility of $1.1 billion, maturing in December 2026. Drawdowns amounted to $302.2 million at the end of fiscal 2023 compared with $858.9 million in 2022.

The Cooperative also entered into a term loan agreement of $270 million on December 22, 2023. This loan, secured by hypothecs on some agricultural assets, has the same maturity as the bank syndicated facility and will enable the Cooperative to replace a term loan maturing in 2024 for Sollio Food and repurchase preferred investment shares at the beginning of fiscal 2024. For the financing in the form of preferred investment shares, on December 7, 2022, the Board of Directors approved the issuance of a new series of shares to settle dividends payable in respect of fiscal 2022 and the first six months of fiscal 2023. All the shares issued under this series were repurchased on August 1, 2023, while 10% of all outstanding series were repurchased in January 2024.

Cash flows

Operating activities generated cash inflows of $457.6 million in 2023, up $699.2 million from fiscal 2022. In 2023, the Cooperative generated earnings adjusted for non-cash items of $133.6 million, up $164.6 million from fiscal 2022. The net change in non-cash working capital items was up $534.6 million, due mainly to the decline in value and reduction of inventories.

Investing activities generated cash inflows of $275.8 million in 2023, up $168.3 million from fiscal 2022. This increase was driven by the disposal of assets, particularly an investment in Sollio Food, and by the receipt of higher dividend proceeds from interests in joint arrangements in the crop production sector related to 2022.

These significant inflows allowed for repayments of $728.8 million under financing activities, of which $597.9 million was used to repay debts. The redemption of preferred shares and dividends and interest on preferred investment shares resulted in disbursements of $92.2 million and $48.4 million, respectively.

Accordingly, fiscal 2023 ended on a much more positive note as far as the Cooperative's financial position is concerned. Debt reduction efforts having been successful, we can now work with a much more robust balance sheet than at this time last year. I would like to acknowledge the support of our financial partners and the efforts made by the internal teams to achieve this ambitious turnaround. We're now in a favourable position to invest in our operational efficiency projects and thereby make our Cooperative even more resilient in the face of market fluctuations and the global environment in which we operate.

Ferme Aviparc
Finalist
Sollio Next Generation Award
2023-2024

Risks and uncertainties

The principal risks and uncertainties to which the Cooperative is exposed are described below. It is implementing various measures to mitigate these risks.

Economic conditions and competition

The Cooperative continues to monitor issues related to competition, inflation, interest rate increases and geopolitical conflicts. Volatile commodity prices, availability and transportation costs also impacted our results. The diversification of our operations, knowledge of our markets, our updated strategic plan to optimize operations and costs and our strategic partnerships are our key assets in meeting these challenges.

Human resources

The Cooperative's success is built on the hard work and skills of employees. Issues related to labour shortages, hiring foreign workers and strikes have a significant impact on our operations and our partners. The availability of labour remains a top priority, and the Cooperative is working hard to roll out a variety of strategies to attract, engage, train and retain employees.

Information technology, cybersecurity and data protection

The Cooperative depends on various IT systems that are key to its operations. Incidents such as cyber attacks could threaten the availability, integrity and confidentiality of those systems' data. Resources have been allocated to improve and enhance the efficiency of our tools, methods and security measures to protect against various threats, including cyber attacks and fraudulent activities.

Crisis and business continuity

During the year, a new integrated management policy for emergency resilience, crisis management and business continuity was implemented to prepare the Cooperative in the event of unexpected incidents such as IT systems interruptions, fires, strikes or health crises.

Food security

The Cooperative is exposed to food safety risks. Costs, lost sales and damage to its reputation can result from incidents, recalls, production disruptions and complaints. In addition to holding insurance policies, the Cooperative adheres to the regulations in place and implements rigorous processes that qualify it for the available industry certifications.

Animal health

Livestock health and well-being are among the Cooperative's top priorities and include disease prevention and management, the adoption of appropriate breeding methods and the prevention of suffering. Certain animal diseases and epidemics can jeopardize livestock production and meat processing plant supply chains.

African swine fever (ASF) and avian flu are contagious viral diseases that cause high mortality rates in infected hogs and birds. Although ASF remains absent from Canada, the avian flu is now endemic worldwide. The Cooperative is collaborating with the industry and governments with the goal of limiting the impact of potential border closures as well as the risk of outbreaks and the spread of these diseases.

Environmental and climate change

The adverse effects of climate change, such as crop fluctuations, will have consequences for the Cooperative's operations. These concerns put public pressure on farming practices. For instance, the federal government wants to reduce greenhouse gas emissions due to nitrogen fertilizers.

The Cooperative has an environmental policy and is implementing a corporate responsibility strategy, including initiatives on greenhouse gas emissions and water consumption.

Reputation

The Cooperative's ethical practices and values are promoted via the code of conduct, corporate responsibility initiatives and the reporting hotline. The Cooperative's reputation could be tarnished in a number of different contexts and for various reasons. It is therefore impossible to manage reputational risk in isolation from all other risks.

MacKinnon Brothers Brewing Co.
Finalist
Sollio Next Generation Award
2023-2024

Sollio
Cooperative Group

Consolidated financial statements

As at October 28, 2023

Management report

The consolidated financial statements and other financial information included in the Annual Report of Sollio Cooperative Group for the year ended October 28, 2023 are management's responsibility and have been approved by the Board of Directors. This responsibility involves the selection of appropriate accounting policies as well as the use of sound judgment in the establishment of reasonable and fair estimates in accordance with Canadian Accounting Standards for Private Enterprises.

Management maintains accounting and internal control systems designed to provide reasonable assurance regarding the accuracy, relevance and reliability of financial information, as well as the efficient and orderly conduct of the Cooperative's affairs. The internal auditors evaluate all its systems on an ongoing basis and regularly report their findings and recommendations to management and the Audit Committee.

The Board of Directors ensures that management assumes its responsibilities with respect to financial reporting and the review of the consolidated financial statements and Annual Report, mainly through its Audit Committee consisting of independent directors. The Audit Committee holds regular meetings with the internal and external auditors and with management representatives to discuss the application of internal controls and reviews the consolidated financial statements and other matters related to financial reporting. The Audit Committee reports and submits its recommendations to the Board of Directors. Ernst & Young LLP, the auditors appointed by the members, have audited the consolidated financial statements and their report appearing hereinafter indicates the scope of their audit and their opinion thereon.

Pascal HOULE, CPA
Chief Executive Officer

Alexandre ST-JACQUES BURKE, FRM
Chief Financial Officer

Montréal, January 16, 2024

Independent auditor's report

To the members of
Sollio Cooperative Group

Opinion

We have audited the accompanying consolidated financial statements of Sollio Cooperative Group and its subsidiaries [the "Cooperative"], which comprise the consolidated balance sheet as at October 28, 2023, and the consolidated statements of earnings (loss), reserve and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Cooperative as at October 28, 2023, and its consolidated results of operations and consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Cooperative in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Emphasis of matter – Restated comparative information

We draw attention to Note 2 of the consolidated financial statements, which explains that certain comparative information presented for the year ended October 29, 2022 has been restated. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 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 Cooperative'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 Cooperative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Cooperative'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.

Independent auditor's report

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 Cooperative'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 Cooperative'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 Cooperative 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 Cooperative to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Cooperative's 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.

Montreal, Canada
January 16, 2024

Ernst & Young LLP[1]

[1] CPA auditor, public accountancy permit no. A122471

EY

A member firm of Ernst & Young Global Limited

Consolidated balance sheet

As at October 28, 2023 and October 29, 2022

[in thousands of dollars]	Notes	2023 $	2022 [Restated - note 2] $
ASSETS	20		
Current assets			
Cash and cash equivalents	6	**7,305**	6,121
Accounts receivable	7, 27	**484,243**	523,896
Inventories	8	**700,828**	1,073,169
Agricultural inventories	9	**148,678**	189,041
Income taxes receivable		**33,386**	36,189
Prepaid expenses		**57,153**	54,388
Derivative financial instruments	26, 27	**7,653**	28,213
Government assistance receivable – current portion		**1,346**	829
Investments – current portion	10, 12, 27	**5,917**	10,731
Property, plant and equipment held for sale	13	**7,158**	6,061
		1,453,667	1,928,638
Non-current assets			
Interests in joint arrangements	10	**239,718**	350,322
Investments in entities subject to significant influence	11	**183,176**	148,096
Investments	10, 12, 27	**56,140**	70,022
Government assistance receivable		**18,161**	18,790
Productive biological assets	9	**16,125**	22,525
Property, plant and equipment	13	**1,118,579**	1,283,705
Property, plant and equipment held for sale	13	**20,880**	45,883
Derivative financial instruments	26	**8,279**	1,281
Defined benefit asset	22	**41,788**	35,575
Intangible assets	14	**341,109**	402,071
Future income tax asset	5	**746**	10,518
Goodwill	15	**252,150**	259,942
		2,296,851	2,648,730
		3,750,518	4,577,368
LIABILITIES AND EQUITY			
Current liabilities			
Bank borrowings	17	**12,190**	17,932
Accounts payable and accrued liabilities	18, 27	**790,122**	916,761
Deferred revenues	27	**242,756**	240,354
Income taxes payable		**9,396**	13,641
Derivative financial instruments	26, 27	**1,187**	29,598
Dividends and interest payable on preferred shares	23	**—**	71,045
Redeemable preferred shares – current portion	23	**7,607**	7,096
Obligations under capital leases – current portion	19	**10,803**	7,025
Long-term debt – current portion	20	**140,297**	46,009
		1,214,358	1,349,461
Non-current liabilities			
Obligations under capital leases	19	**14,395**	14,877
Long-term debt	20, 27	**431,177**	1,136,004
Deferred credit	21	**31,307**	5,681
Other liabilities	10	**33,643**	22,451
Defined benefit liability	22	**59,882**	72,298
Future income tax liability	5	**58,679**	77,701
		629,083	1,329,012
Total liabilities		**1,843,441**	2,678,473
EQUITY			
Share capital	23	**1,153,577**	1,152,402
Contributed surplus	3	**20,039**	22,079
Reserve	3, 10	**586,129**	551,939
Equity of the Cooperative		**1,759,745**	1,726,420
Non-controlling interests	3, 10, 11	**147,332**	172,475
Total equity		**1,907,077**	1,898,895
		3,750,518	4,577,368

Commitments and contingencies [*note 24*]
Subsequent events [*note 28*]

The notes are an integral part of the consolidated financial statements.

On behalf of the Board,

Richard FERLAND, Director

Patrick SOUCY, Director

Consolidated statement of earnings (loss)

Years ended October 28, 2023 and October 29, 2022

[in thousands of dollars]	Notes	2023 $	2022 [Restated - note 2] $
Revenues	27	8,256,857	8,434,105
Operating expenses	4		
Cost of sales and selling and administrative expenses	27	8,130,682	8,577,616
Net financial expenses		90,719	84,030
		8,221,401	8,661,646
Operating income (loss)		35,456	(227,541)
Other income and expenses			
Share of results of joint arrangements		63,459	59,985
Share of results of entities subject to significant influence		7,371	12,442
Investment income	27	2,739	2,757
Net gains (losses) on disposal and write-down of assets	10, 11, 13, 14, 15, 16, 21	24,663	(161,385)
Gains on remeasurement of interest rate swaps	26	9,355	22,293
Gains arising from insurance benefits		3,772	2,087
		111,359	(61,821)
Earnings (loss) before patronage refunds, income taxes and discontinued operations		146,815	(289,362)
Income taxes (recovery)	5	29,804	(666)
Earnings (loss) before discontinued operations		117,011	(288,696)
Net loss related to discontinued operations	16	(1,641)	(48,183)
Net earnings (loss)		115,370	(336,879)
Attributable to:			
Members of the Cooperative		101,938	(278,379)
Non-controlling interests		13,432	(58,500)
		115,370	(336,879)

The notes are an integral part of the consolidated financial statements.

Consolidated statement of reserve

Years ended October 28, 2023 and October 29, 2022

[in thousands of dollars]	Notes	2023 $	2022 $
Reserve, beginning of year		551,939	900,134
Premium on redemption of a non-controlling interest	3, 10	(2,243)	(4,582)
Dividends on preferred investment shares		(65,505)	(65,234)
Net earnings (loss) attributable to members of the Cooperative		101,938	(278,379)
Reserve, end of year		586,129	551,939

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

Years ended October 28, 2023 and October 29, 2022

[in thousands of dollars]	Notes	2023 $	2022 $
OPERATING ACTIVITIES			
Earnings (loss) before discontinued operations		117,011	(288,696)
Non-cash items:			
Amortization	4	160,267	164,096
Amortization of transaction costs	4	2,823	5,775
Net losses (gains) on disposal and write-down of assets		(24,663)	161,385
Unrealized losses (gains) on derivative financial instruments		(23,442)	13,444
Future income taxes	5	(8,949)	(11,259)
Change in defined benefits		(18,629)	(3,335)
Share of results of joint arrangements		(63,459)	(59,985)
Share of results of entities subject to significant influence		(7,371)	(12,442)
		133,588	(31,017)
Net change in non-cash working capital items		324,014	(210,569)
Cash flows related to operating activities		457,602	(241,586)
INVESTING ACTIVITIES			
Disposals of subsidiaries	10	2,251	6,887
Acquisitions of units from a subsidiary's non-controlling interest	3, 10	(12,477)	(23,500)
Acquisitions of investments		(2,667)	(14,395)
Acquisitions of interests in joint arrangements		(909)	(3,560)
Acquisitions of investments in entities subject to significant influence		(7,623)	—
Proceeds from disposal of investments	10	28,976	11,202
Proceeds from disposal of interests in joint arrangements	10	190,678	950
Proceeds from disposal of investments in entities subject to significant influence	11	336	9,861
Dividends received from joint arrangements		67,262	41,593
Dividends received from entities subject to significant influence		7,000	7,781
Net change in government assistance		1,047	381
Additions to property, plant and equipment		(59,402)	(60,486)
Proceeds from disposal of property, plant and equipment	21	92,670	79,800
Acquisition of productive biological assets		(12,082)	(3,153)
Proceeds from disposal of productive biological assets		9,951	290
Additions to intangible assets	14	(29,325)	(7,067)
Proceeds from disposal of intangible assets	14	150	60,893
Cash flows related to investing activities		275,836	107,477
FINANCING ACTIVITIES			
Net change in bank borrowings		(4,494)	17,932
Repayment of obligations under capital leases		(10,170)	(702)
Proceeds from issuance of long-term debt		6,196	217,292
Repayment of long-term debt		(583,193)	(115,105)
Proceeds from issuance of preferred shares		5,427	6,628
Redemption of preferred shares		(92,228)	(2,974)
Dividends and interest on preferred investment shares		(48,408)	—
Proceeds from issuance of common shares		12	17
Redemption of common shares		(21)	(373)
Proceeds from issuance of units of a subsidiary to third parties	3	—	4,824
Dividends paid to non-controlling interests		(1,963)	(2,692)
Cash flows related to financing activities		(728,842)	124,847
Increase (decrease) in cash and cash equivalents		4,596	(9,262)
Net decrease in cash and cash equivalents related to discontinued operations	16	(3,412)	(4,777)
Cash and cash equivalents, beginning of year		6,121	20,160
Cash and cash equivalents, end of year		7,305	6,121

The notes are an integral part of the consolidated financial statements.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

[All amounts are in thousands of dollars.]

1) Business description

Sollio Cooperative Group [the "Cooperative"] was established under a special act of the Province of Québec. It operates through three divisions: Food, Agriculture and Retail. The Food Division focuses on pork production and the processing and marketing of pork and poultry products. The Agriculture Division provides farmers with goods and services to support their farming operations. The Retail Division brings together distribution and marketing operations for hardware products, construction materials as well as services related to these product lines.

2) Significant accounting policies

These consolidated financial statements have been prepared in accordance with Part II of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Private Enterprises," which sets out the generally accepted accounting principles for Canadian non-publicly accountable entities and include the significant accounting policies described below.

Principles of consolidation

The Cooperative consolidates all the subsidiaries for which it has the continuing power to determine the strategic operating, investing and financing policies without the co-operation of others. The consolidated financial statements comprise the financial statements of Sollio Cooperative Group and its subsidiaries, the most significant of which are as follows:

Consolidated subsidiaries

Name	Description	Interest
Olymel L.P.	Production, processing and marketing of pork and poultry	84.2%
Agrico Canada Limited	Distribution and marketing of agricultural inputs	100%
Agrico Canada L.P.	Distribution and marketing of agricultural inputs	100%
Agronomy Company of Canada Ltd.	Distribution and marketing of agricultural inputs	100%
Entreprise Agricole AMQ s.e.c.	Distribution and marketing of animal nutrition products	100%
Maizex Seeds Inc.	Production and marketing of seeds	93.8%
Sollio Agriculture L.P.	Supply of agriculture-related goods and services	100%
Standard Nutrition Inc.	Distribution and marketing of animal nutrition products	100%
TerminalGrains.Ag s.e.c.	Operation of a grain terminal	80%
Groupe BMR inc.	Distribution and marketing of hardware products and construction materials	100%
Énergies RC, s.e.c.[1]	Ownership of an investment for the distribution and marketing of petroleum products	100%

[1] 88.9% as at October 29, 2022

Interests in joint arrangements

The Cooperative uses the equity method to account for its interests in jointly controlled enterprises.

Investments in entities subject to significant influence

The Cooperative uses the equity method to account for all entities in which it exercises significant influence over the strategic operating, investing and financing policies.

When the value of investments subject to significant influence or interests in joint arrangements is negative, the Cooperative recognizes the excess of its share of losses of the entity over the value of the investment when one of the following conditions is met:

i. The Cooperative has guaranteed the obligations of the investee;
ii. The Cooperative is otherwise committed to provide further financial support to the investee; or
iii. The investee seems assured of imminently returning to profitability.

Non-controlling interests

Non-controlling interests represent the portion of the combined net earnings and net assets of a subsidiary that is not wholly owned by the Cooperative. Non-controlling interests are presented in equity, separately from the Cooperative's equity. Any change in the ownership interest in a subsidiary that does not affect the control of the Cooperative gives rise to an adjustment between the Cooperative and the non-controlling interests to reflect their respective interests. Any difference between the adjustment and the consideration paid is presented separately in the Cooperative's equity.

Business combinations

Business combinations are accounted for using the acquisition method. Under this method, the assets acquired and liabilities assumed are measured at their fair values at the date of acquisition and the excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill. If the fair value of the net assets acquired exceeds the consideration paid, the excess is recognized immediately as net gains on disposal and write-down of assets in the consolidated statement of earnings (loss).

Acquisition-related costs are recognized in earnings as incurred.

The results of businesses acquired are included in the consolidated financial statements as of their respective date of acquisition.

When options to purchase all or part of the non-acquired shares of the target company are held by the Cooperative or options to sell the same shares are held by third parties, the Cooperative recognizes a liability when such options are exercised.

The Cooperative measures non-controlling interests in acquired businesses at fair value as at the date of acquisition.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

2) Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include bank account balances as well as derivative financial instruments secured by cash and are recorded at fair value.

Inventories

Raw materials and supply inventories are valued at the lower of cost under the first in, first out or average cost method and net realizable value, except for grain inventories held for resale, which are measured at fair value.

Goods in process and finished goods inventories are valued at the lower of cost under the first in, first out or average cost method and net realizable value.

The Cooperative recognizes amounts received under agreements with suppliers as a reduction in the price of the suppliers' products and presents them as a reduction of cost of sales in the consolidated statement of earnings (loss) and of related inventories in the consolidated balance sheet when it is probable that such discounts will be received.

Biological assets

Agricultural inventories

Agricultural inventories comprise live hog and poultry, laying hens and eggs. Laying hens are classified as agricultural inventories since they are held for use in a productive capacity and have a short productive life. Agricultural inventories are measured using the cost model, under which inventories are measured at the lower of cost and net realizable value, with cost determined using full cost and the first in, first out or average cost methods. The full cost of agricultural inventories comprises all input costs, such as purchase price and direct handling costs, and other costs of agricultural production incurred in bringing the agricultural inventories to their present location and condition, such as direct agricultural production overheads. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Productive biological assets

Productive biological assets comprise sows used in the hog breeding process. Productive biological assets are measured at cost less accumulated amortization and impairment, if any. They are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability is assessed by comparing the carrying amount of a productive biological asset with the total of the undiscounted cash flows expected from its use and disposition. If the carrying amount of the productive biological asset is not recoverable, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Productive biological assets are amortized over their estimated useful lives using the straight-line method. Breeding livestock, namely sows, have an estimated useful life evaluated at six litters.

Investments

Investments include shares and other securities of cooperatives measured at cost since they have no quoted market price in an active market. Notes receivable, also included in investments, are initially recognized at fair value and subsequently at amortized cost.

Property, plant and equipment

Property, buildings and equipment

Property, plant and equipment are initially recognized at cost or at fair value if acquired as part of a business combination. Grants related to property, plant and equipment are recognized as a reduction of those assets.

Assets under capital leases are capitalized when substantially all the benefits and risks incident to ownership of the leased property have been transferred to the Cooperative. The cost of assets under capital leases represents the lower of the present value of minimum lease payments and the fair value of the leased asset.

Property, plant and equipment held for sale are measured at the lower of carrying amount or fair value less costs to sell and are not amortized.

The cost of property, plant and equipment is amortized on a straight-line basis over their estimated useful life or the lease term:

Pavement	10 to 15 years
Buildings	10 to 30 years
Machinery and equipment	3 to 20 years
Automotive equipment	3 to 15 years
Leasehold improvements	Lease term
Assets under capital leases	Lease term

Intangible assets

Intangible assets subject to amortization are initially recognized at cost, or at fair value if acquired as part of a business combination and amortized on a straight-line basis over their estimated useful life.

Trademarks

Trademarks with finite lives are amortized over periods of 10 to 20 years. The Cooperative also has trademarks with indefinite useful lives, which are not amortized.

Client lists

Client lists are amortized over periods of 10 to 21 years.

Rights

Rights consist of production rights and exclusive supply rights. Production rights are not amortized since they have indefinite useful lives while exclusive supply rights are amortized over a period of 10 years.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

2) Significant accounting policies

Intangible assets [cont'd]

Software and information technology development projects

Certain software and information technology development project costs are capitalized and amortized on a straight-line basis over periods of three to nine years. Amortization of information technology development projects begins at project completion.

Certain software and information technology development projects are developed internally. The related costs are capitalized under intangible assets when the costs incurred allow for the use of the asset according to management's expectations.

The Cooperative analyzes its cloud computing arrangements to determine if a software component in such an arrangement is a software intangible asset. However, if the software component is not an asset, the Cooperative accounts for it as a software service and expenses related expenditures as incurred. Expenditures on implementation activities that are directly attributable to preparing the software service for its intended use that do not give rise to a separate intangible asset are capitalized as an asset for implementation of software services. The asset for implementation of software services is expensed using the straight-line method over the expected period of access to the software service, which is estimated at nine years.

Financial support

The different types of financial support are amortized over the terms of the related agreements of five to 10 years.

Research and development

Research costs are expensed in the consolidated statement of earnings (loss) in the year in which they are incurred. Development costs are capitalized under intangible assets when the costs incurred will result in future economic benefits.

Impairment of assets

Accounts receivable and notes receivable

Accounts receivable and notes receivable are subject to continuous impairment review and are classified as impaired when, in the opinion of the Cooperative, there is reasonable doubt that losses on accounts receivable and notes receivable have occurred taking into consideration all circumstances known at the review date, or there is a reasonable doubt as to the ultimate collectability of a portion of the principal and interest. When there are indications of possible impairment, the Cooperative determines if there has been a significant adverse change to the expected timing or amounts of future cash flows expected from the financial asset. The amount of any impairment loss is determined by comparing the carrying amount of the financial asset with the greatest of three amounts:

i. The present value of the cash flows expected to be generated from the asset, discounted using a current market rate of interest appropriate to the asset;
ii. The amount that could be realized by selling the asset at the consolidated balance sheet date;
iii. The amount the Cooperative expects to realize by exercising its right to any collateral held to secure repayment of the asset, net of all costs necessary to exercise those rights.

Reversals are permitted but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

Investments, interests in joint arrangements and investments in entities subject to significant influence

Investments in the form of shares and other securities of cooperatives, interests in joint arrangements and investments in entities subject to significant influence are written down if analyses of entities' financial reports show they are experiencing financial difficulties. At the end of each reporting period, the Cooperative assesses whether there are any indications that an investment may be impaired. When there are indications of possible impairment, the Cooperative determines if there has been, during the period, a significant adverse change to the expected timing or amounts of future cash flows expected from the investment. If the investment is impaired, the Cooperative reduces the carrying amount of the investment to the higher of the following:

i. The present value of the cash flows expected to be generated by holding the investment, discounted using a current market rate of interest appropriate to the asset; and
ii. The amount that could be realized by selling the financial asset at the consolidated balance sheet date.

Reversals are permitted but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

Long-lived assets subject to amortization

Property, plant and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with its future net undiscounted cash flows expected from use together with its residual value. If the asset is considered to be impaired, the impairment charge is measured by the amount by which the carrying amount of the asset exceeds its fair value generally determined on a discounted cash flow basis. An impairment loss is recognized and presented in the consolidated statement of earnings (loss) and the carrying amount of the asset is adjusted to its fair value. An impairment loss may not be reversed if the fair value of the long-lived asset in question subsequently increases.

Intangible assets with indefinite lives

Production rights and certain trademarks must be reviewed for impairment if events or changes in circumstances indicate that their carrying amount may not be recoverable. The impairment charge is calculated by comparing the carrying amount of the intangible asset with its fair value generally determined on a discounted cash flow basis. When the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to such excess. An impairment loss may not be reversed if the fair value of the intangible asset in question subsequently increases.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

2) Significant accounting policies

Impairment of assets [cont'd]

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired as part of a business combination. Goodwill is not amortized but is tested for impairment if events or changes in circumstances indicate a possible impairment. The impairment test consists in comparing the carrying amount of the reporting unit to which goodwill is assigned with its fair value. When the carrying amount of a reporting unit exceeds its fair value, a goodwill impairment loss is recognized in an amount that may not exceed the carrying amount of goodwill related to the reporting unit. Any impairment of the carrying amount in relation to the fair value is charged to consolidated earnings in the year in which the loss is incurred. Impairment losses on goodwill may not be reversed.

Disposal of assets and discontinued operations

The assets or groups of assets and liabilities that make up the disposal groups are classified as held for sale when they are available for immediate sale in their current condition and their sale is highly probable. The Cooperative classifies an asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. To that end, management must be actively engaged in a plan to sell the assets or disposal groups and must expect the sale to occur within 12 months of the date they are classified as held for sale. Liabilities are classified as held for sale and are presented separately as such in the consolidated balance sheet if they are directly associated with a disposal group. Assets or disposal groups classified as held for sale are presented separately in the consolidated balance sheet and are measured at the lower of fair value less costs to sell and carrying amount.

Assets classified as held for sale are not reclassified as current assets, unless the Cooperative has sold the assets prior to the date of completion of the financial statements and the proceeds of the sale will be realized within a year of the balance sheet date. If the assets have been classified as current assets due to the subsequent sale, any liabilities to be assumed by the purchaser or required to be discharged on disposal of the assets are classified as current liabilities.

Assets and disposal groups are classified as discontinued operations if the operations and cash flows can be clearly distinguishable, operationally and for financial reporting purposes, from the rest of the Cooperative and they represent a separate major line of business or geographical area of operations, are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or are a subsidiary acquired exclusively for resale.

Net earnings (loss) from discontinued operations, including the components of prior year net earnings (loss), is presented as a single amount in the consolidated statement of earnings (loss). This amount includes net earnings (loss) after tax from discontinued operations as well as net earnings (loss) after tax from the measurement and disposal of assets classified as held for sale.

Information on discontinued operations for the prior year relates to all operations that were discontinued as of the closing date of the most recent period presented.

If a long-lived asset no longer meets the criteria to be classified as held for sale, it shall be reclassified as held and used. A long-lived asset that is reclassified shall be measured individually at the lower of:

i. The carrying amount before it was classified as held for sale, adjusted for any amortization expense that would have been recognized had it been continuously classified as held and used; or
ii. The fair value at the date of the subsequent decision not to sell.

Any required adjustment to the carrying amount of a long-lived asset that is reclassified as held and used is included in net gains (losses) on disposal and write-down of assets in earnings before discontinued operations in the period of the subsequent decision not to sell. If a component of the Cooperative is reclassified as held and used, the results of operations of the component previously reported under discontinued operations are reclassified and included in earnings before discontinued operations for all periods presented.

Deferred revenues

Deferred revenues are amounts invoiced for goods whose sale has not yet been recognized. Certain prepayment agreements between the Cooperative and its clients bear interest.

Revenue recognition

Revenues are recognized when the significant risks and rewards of ownership of the goods sold are transferred to the buyer, revenues can be reasonably estimated and collection is reasonably assured. This usually coincides with the time of receipt of goods by the buyer. Revenues correspond to the amount of consideration received net of discounts.

When recognizing revenue from the sale of goods, the Cooperative must consider whether such revenue should be reported on a gross or a net basis, which is based upon an assessment of whether the Cooperative is acting as an agent or a principal. When the Cooperative assumes the main risks and has the discretion to set prices, revenue is recognized on a gross basis. When these criteria are not met, the Cooperative recognizes revenue on a net basis.

Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars using the temporal method. Under this method, monetary items in the consolidated balance sheet are translated at the rates of exchange prevailing at year-end while non-monetary items are translated at the rates of exchange prevailing on the transaction dates. Revenues and expenses are translated at the exchange rates in effect on the transaction dates. Gains and losses on translation of foreign currencies are recognized in consolidated earnings under cost of sales and selling and administrative expenses.

Notes to consolidated financial statements
Years ended October 28, 2023 and October 29, 2022

2) Significant accounting policies

Employee future benefits

The Cooperative has a number of defined benefit and defined contribution plans providing pension and other post-retirement benefits to most of its employees. Defined benefit pension plans are based on either average career earnings, average final earnings or a flat pension. Certain pension benefits are indexed according to economic conditions.

The cost of pension and other post-retirement benefits earned by employees is determined using actuarial calculations based on the most recent funding valuations. The calculations are based on long-term assumptions relating to salary escalation, retirement and termination ages of employees and estimated health care cost growth.

The Cooperative uses insurance contracts for the payment of certain employee future benefits. These contracts are excluded from plan assets and the amount of benefits provided under these contracts is deducted from the defined benefit liability when there is a transfer of significant risks to the Cooperative.

Remeasurements of the net defined benefit asset or liability are recognized immediately in the consolidated statement of earnings (loss). Remeasurements comprise the difference between the actual return on plan assets and the return calculated using the discount rate used to determine the interest cost of the plans, actuarial gains and losses and gains and losses arising from settlements and curtailments.

Plan assets are measured at fair value. Obligations for funded plans are calculated using the most recent actuarial valuations prepared for funding purposes. Obligations for unfunded plans are calculated using separate actuarial valuations prepared for accounting purposes, and the discount rates are determined by reference to market interest rates on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments for these plans.

The Cooperative also offers other post-retirement benefits to certain retired employees. Other post-retirement benefits offered by the Cooperative to these retired employees include health care benefits and life insurance. The cost of other post-retirement benefits is calculated using the same accounting policies as used for unfunded defined benefit pension plans. The related expenses are settled by the Cooperative as they become due.

The cost of defined benefit pension plans and the cost of other post-retirement benefits are recognized in the consolidated statement of earnings (loss) under cost of sales and selling and administrative expenses.

Patronage refunds

The amount and terms of payment of patronage refunds are determined by the Board of Directors. Patronage refunds are calculated based on members' purchased volume and are accounted for in the year to which they relate. Where patronage refunds are paid in shares, such shares are considered to be issued at the year-end preceding the Board of Directors' resolution.

Financial instruments

The Cooperative initially records a financial instrument that was originated, acquired, issued or assumed in an arm's length transaction at fair value. Related party debt or equity instruments that are quoted in an active market, debt instruments with observable inputs that are significant to the determination of their fair value, and derivative instruments are also initially recorded at fair value.

Related party financial instruments that have repayment terms are initially recorded at cost, representing the undiscounted cash flows of that instrument, excluding interest and dividend payments. Related party financial instruments that do not have repayment terms are recorded at cost, determined using the consideration transferred or received by the Cooperative. A consideration with repayment terms is measured as described above while consideration without repayment terms is recorded at the carrying or exchange amount, depending on the circumstances.

Subsequently, the Cooperative measures its financial instruments as follows:

Accounts receivable (excluding government receivables) and notes receivable are measured at amortized cost.

Shares and other securities of cooperatives included under investments are measured at cost since they have no quoted price in an active market.

Bank borrowings, accounts payable and accrued liabilities (excluding government remittances), dividends payable, redeemable preferred shares and long-term debt are measured at amortized cost.

Interest income and expense from financial assets and liabilities are recognized under net financial expenses in the consolidated statement of earnings (loss). When related to disposals, these gains and losses are recognized under net gains (losses) on disposal and write-down of assets.

Consolidated Financial Statements as at October 28, 2023

Notes to consolidated financial statements
Years ended October 28, 2023 and October 29, 2022

2) Significant accounting policies

Derivative financial instruments

In accordance with its risk management strategy, the Cooperative uses derivative financial instruments to manage foreign exchange risk, and risks related to purchase and selling prices for certain commodities, as well as debt-related foreign exchange and interest-rate risk. Derivative financial instruments consist of foreign exchange contracts, currency swaps, interest rate swaps as well as commodity and currency forward contracts, swaps and options. The Cooperative does not use derivative financial instruments for speculative purposes.

Hedge accounting is used where the Cooperative documents its hedging relationships, risk management objectives and strategy, and demonstrates that they are highly effective at hedge inception and throughout the hedge period.

The derivative financial instruments that the Cooperative chose to designate as hedging items are not recognized before their maturity. Gains and losses arising from the hedging item are recognized when the hedged item affects consolidated earnings. The gain or loss portion of a hedging item is reported as an adjustment to the revenues from or the expenses of the related hedged item. Where derivative financial instruments are used to hedge commodity price risks, the portion of gains and losses on the hedging item is recognized as an adjustment to the carrying amount of the hedged item. Realized gains and losses on these contracts are presented in cost of sales and selling and administrative expenses.

Foreign exchange contracts

The Cooperative often sells and buys commodities outside Canada, mainly in US dollars, Japanese yen, Australian dollars and euros. To mitigate foreign exchange risk, the Cooperative uses foreign exchange forward contracts.

Currency swaps on debt

The Cooperative draws down a portion of its credit facility in the form of SOFR advances and uses currency swaps to manage the risk of changes in foreign exchange rates for this debt.

A hedging relationship is terminated if the hedge ceases to be effective, and the loss or gain on discontinuation of the hedge is recognized in a separate component of equity until the future transaction occurs, at which time the loss or gain is removed from equity and recognized as an adjustment to the carrying amount of the hedged item or recorded in the consolidated statement of earnings (loss). If the occurrence of a hedged future transaction ceases to be probable or if the hedged item ceases to exist, any gain or loss is recognized in the consolidated statement of earnings (loss).

Derivative financial instruments that are not designated as hedges are measured at fair value, which is the approximate amount that might be obtained in the settlement of such instruments at prevailing market rates. Gains and losses resulting from remeasurement at year-end are recognized in the consolidated statement of earnings (loss).

Commodity and currency forward contracts and swaps

The Cooperative often buys grain and fertilizer and sells hogs and uses foreign exchange contracts to cover certain future price risks for these commodities. The Cooperative does not use hedge accounting for commodity and currency forward contracts and swaps. Therefore, gains and losses on these contracts, realized or not, are presented in cost of sales and selling and administrative expenses.

Commodity and currency options

The Cooperative also uses options to manage commodity price and currency risk. The options give the Cooperative the right but not the obligation to exercise them at a predetermined price before the option expiry date. The Cooperative does not use hedge accounting for commodity and currency options. Therefore, gains and losses on these contracts, realized or not, are presented in cost of sales and selling and administrative expenses.

Interest rate swaps

The Cooperative uses interest rate swaps to manage the risk of changes in interest rates on debt. The Cooperative does not use hedge accounting for interest rate swaps. Therefore, gains and losses on these contracts, realized or not, are presented in gains on remeasurement of interest rate swaps.

Income taxes (recovery)

The Cooperative follows the future income tax method of accounting for income taxes. Future income tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying value and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years during which temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income during the period that includes the date of enactment. A valuation allowance is provided to the extent that, in the opinion of management, it is more likely than not that future income tax assets will not be realized.

Year-end

The Cooperative's year-end is the last Saturday of October. The years ended October 28, 2023 and October 29, 2022 included 52 weeks.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

2) Significant accounting policies

Changes in accounting policies

Agriculture

Effective October 30, 2022, the Cooperative adopted the new Section 3041 of Part II of the *CPA Canada Handbook – Accounting*, "Agriculture". This new section sets out the principles for the recognition, measurement and disclosure of agricultural inventories and productive biological assets. It applies to transactions and events related to agricultural production, including the purchase of harvested products from biological assets used in agricultural production.

Under the new Section 3041, an agricultural producer recognizes agricultural inventories and productive biological assets in accordance with the definitions provided, with a rebuttable presumption at initial recognition that biological assets not being used in a productive capacity are agricultural inventories. Agricultural inventories may be reclassified as productive biological assets when certain conditions are met but a productive biological asset may not be reclassified as agricultural inventory. An agricultural producer chooses to measure agricultural inventories, based on similar nature and use, using the cost model or, when certain conditions are met, the net realizable value model. When the cost model is used, an agricultural producer chooses whether to determine cost using full cost or only input costs. Productive biological assets are measured at cost less accumulated amortization and impairment, if any, and are amortized over their useful lives.

The Cooperative previously accounted for all its biological assets as either inventories, which are measured at the lower of cost and net realizable value, with cost determined on a first-in, first-out cost formula, or as property, plant and equipment, which are recognized at cost and amortized over their estimated useful lives.

The Cooperative adopted the new Section 3041 retrospectively. Agricultural inventories and productive biological assets were presented separately from other inventories and property, plant and equipment, respectively. For fiscal 2022, the Cooperative reclassified inventories and property, plant and equipment to agricultural inventories and productive biological assets in the amount of $189,041 and $22,525, respectively. The application of the new Section 3041 has no impact on the valuation of agricultural inventories and productive biological assets.

Cloud computing arrangements

On October 30, 2022, the Cooperative early adopted the new Accounting Guideline AcG-20, "Customer's Accounting for Cloud Computing Arrangements". This new guideline provides guidance on both accounting for a customer's expenditures in a cloud computing arrangement and determining whether a software intangible asset exists in the arrangement.

Under the new AcG-20, enterprises are provided with an optional simplification approach to expense as incurred the expenditures related to the elements in a cloud computing arrangement. When an enterprise does not apply the simplification approach, AcG-20 provides factors to assist the enterprise in determining whether the arrangement includes a software intangible asset or is a software service. An accounting policy choice must be made to either capitalize directly attributable expenditures on implementation activities when the arrangement is a software service or to expense such expenditures related to implementation activities as incurred. AcG-20 also clarifies that an enterprise must determine a method on a rational and consistent basis for allocating arrangement consideration to significant separable elements in an arrangement. Lastly, AcG-20 requires enterprises to disclose information on how the arrangement is accounted for in its financial statements. The Cooperative adopted the new AcG-20 retrospectively. In accordance with the transitional provisions and because the Cooperative does not apply the simplification approach, the Cooperative did not make any retrospective adjustments in respect of expenditures on implementation activities incurred in cloud computing arrangements prior to October 30, 2022. In addition to not applying the simplification approach, the Cooperative has also made an accounting policy choice to capitalize directly attributable expenditures on implementation activities when the arrangement is a software service. The adoption of these amendments had no significant impact on the Cooperative's consolidated financial statements.

Revenue

On October 30, 2022, the Cooperative adopted the amendments to Section 3400 of Part II of the *CPA Canada Handbook – Accounting*, "Revenue". The amended Standard provides additional guidance on determining whether an arrangement consists of a group of contracts or a single contract, identifying the units of account in an arrangement, allocating consideration in multiple-element arrangements to separate units of account on a relative stand-alone selling price basis and methods for estimating the stand-alone selling price when it is not directly observable, and accounting for revenue under the percentage of completion method. The amended standard also provides indicators to consider in determining whether revenue should be reported gross or net, criteria to use in determining when to recognize revenue for a bill and hold arrangement and disclosure requirements for contracts in progress at the end of the reporting period accounted for using the percentage of completion method. The Cooperative adopted the amendments to Section 3400 retrospectively. The application of these amendments resulted in a reduction in revenue and cost of sales of $441,938 for fiscal 2022.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

3) Adjustments relating to non-controlling interests

On July 3, 2023, a non-controlling shareholder holding 12.5% of the shares of a subsidiary of the Agricultural Division exercised its option to sell its interests in that subsidiary, resulting in a repurchase of 6.25% of its interests in the amount of $6,296 and the grant of a new put option for the remaining interest. This transaction resulted in a $3,430 decrease in the carrying amount of the non-controlling interest, an $826 decrease in the reserve and a $2,040 decrease in contributed surplus. The amount is payable by the Cooperative as at October 28, 2023, bears interest according to the terms of the contract and is presented under long-term debt.

On July 19, 2023, the Cooperative repurchased the entire interest of a group of non-controlling shareholders, holding 22.5% of the shares of a subsidiary of the Agricultural Division for a negligible amount. This transaction resulted in decreases of $4,121 in the carrying amounts of the non-controlling interest and the reserve.

On April 21, 2022, a group of non-controlling shareholders holding 45% of the shares of a Retail Division subsidiary, exercised its option to sell 15% of its interests in that subsidiary for an amount of $24,590. This transaction resulted in a $20,008 decrease in the carrying amount of the non-controlling interest and a $4,582 decrease in the reserve. Of this amount, $1,090 was paid during fiscal 2023.

4) Operating expenses

Operating expenses include the following items:

	2023	2022
		[Restated - note 2]
	$	$
Cost of sales and selling and administrative expenses		
Cost of inventories	**5,321,004**	5,716,698
Cost of agricultural inventories	**783,832**	836,689
Salaries and employee benefits	**1,108,631**	1,036,902
Research and development tax credits	**(1,124)**	(1,028)
Government assistance credited to earnings	**—**	(2,112)
Amortization of property, plant and equipment	**112,468**	123,472
Amortization of productive biological assets	**8,531**	2,532
Amortization of intangible assets	**39,268**	39,383
Amortization of deferred credits	**—**	(1,291)
Other expenses	**758,072**	826,371
	8,130,682	8,577,616
Net financial expenses		
Interest on bank borrowings	**—**	505
Interest on obligations under capital leases	**2,279**	—
Interest on long-term debt	**77,536**	72,588
Interest on preferred shares	**2,060**	3,160
Interest on deferred revenues	**8,220**	4,556
Amortization of transaction costs	**2,823**	5,775
Interest income	**(2,199)**	(2,554)
	90,719	84,030

Notes to consolidated financial statements
Years ended October 28, 2023 and October 29, 2022

5) Income taxes (recovery)

The significant components of the income taxes (recovery) recorded in the consolidated statement of earnings (loss) are as follows:

	2023 $	2022 $
Current	34,664	10,593
Future	(4,860)	(11,259)
Income tax expense (recovery)	29,804	(666)

The significant components of future income tax assets and liabilities are as follows:

	2023 $	2022 $
Property, plant and equipment	(72,528)	(106,593)
Investments	(21,409)	(31,268)
Intangible assets	5,432	(7,429)
Losses carried forward	14,489	31,295
Non-deductible provisions and reserves for tax purposes	6,217	22,651
Employee future benefits	4,701	8,659
Deferred research and development costs	(289)	7,439
Other	5,454	8,063
	(57,933)	(67,183)
Future income tax asset	746	10,518
Future income tax liability	(58,679)	(77,701)
	(57,933)	(67,183)

As at October 28, 2023, non-capital losses amounting to $269,879 for federal purposes and $328,760 for provincial purposes have been accumulated in the Cooperative and certain subsidiaries for which no future income tax asset has been recorded. These losses expire between 2035 and 2043. The Cooperative has deductible temporary differences of $85,025 for which no future income tax assets have been recognized.

6) Cash and cash equivalents

Cash and cash equivalents included an amount of $7,915 used to secure positions relating to derivative financial instruments as at October 29, 2022.

7) Accounts receivable

	2023 $	2022 $
Trade receivables	468,502	521,332
Allowance for doubtful accounts	(13,818)	(18,270)
	454,684	503,062
Government receivables	29,559	20,834
	484,243	523,896

On September 23, 2023, a subsidiary of the Cooperative renewed an agreement for the assignment of a portion of the accounts receivable portfolio for a period of one year. As at October 28, 2023, in accordance with the agreement, accounts receivable in the amount of $146,949 [$126,179 in 2022] were sold for a consideration, net of the reserve, of $115,000 [$100,200 in 2022] without recourse or collateral and therefore derecognized from the consolidated balance sheet.

Notes to consolidated financial statements
Years ended October 28, 2023 and October 29, 2022

8) Inventories

Inventories, excluding agricultural inventories, are as follows:

	2023 $	2022 *[Restated - note 2]* $
Inventories – Food Division	314,880	345,314
Inventories – Agriculture Division	215,326	546,880
Inventories – Retail Division	170,622	180,975
	700,828	1,073,169

9) Biological assets

Agricultural inventories

	Quantity		Amount	
	2023	2022	2023 $	2022 $
Eggs	3,895,977	3,723,882	2,204	2,030
Livestock - poultry	316,400	206,365	659	412
Livestock - hogs	1,238,050	1,419,377	140,811	181,606
Breeding livestock - poultry	413,622	402,103	5,004	4,993
			148,678	189,041

Productive biological assets

As at October 28, 2023, the Cooperative held 68,593 sows [89,112 in 2022].

2023	Cost $	Accumulated amortization $	Net carrying amount $
Breeding livestock - hogs	20,746	4,621	16,125

2022	Cost $	Accumulated amortization $	Net carrying amount $
Breeding livestock - hogs	38,128	15,603	22,525

Notes to consolidated financial statements
Years ended October 28, 2023 and October 29, 2022

10) Interests in joint arrangements

	2023 $	2022 $
Food Division - 50% and 67.7% interests	**43,713**	50,986
Agriculture Division - 50% interests	**194,739**	197,064
Retail Division - 50% interests	**1,266**	1,210
Oil sector company - 50% interest	**—**	101,062
	239,718	350,322
Other liabilities	**33,643**	22,451

The Cooperative holds interests in two joint arrangements whose share of results exceeds 10% of the Cooperative's earnings (loss) before the share of results of joint arrangements and income taxes. The Cooperative holds 50% of the units of the two joint arrangements with a carrying amount of $42,613 and a negative carrying amount of $31,606, respectively, as at October 28, 2023 [a joint arrangement with a negative carrying amount of $22,451 in 2022]. Of this amount, a balance of $31,606 was recorded in other liabilities.

For the period ended October 28, 2023, two interests in joint arrangements held by subsidiaries of the Cooperative recorded negative shares of results exceeding their carrying amounts at that same date. As the subsidiaries of the Cooperative have committed to provide financial support to these entities, the excess of their share of losses over the carrying amount of the investment of $33,643 [one joint arrangement in the amount of $22,451 in 2022] was recorded in other liabilities.

Food Division

On February 23, 2023, a subsidiary of the Cooperative sold its entire interest in a joint arrangement for a consideration of $124,843. This transaction resulted in a gain of $108,651 which was recorded as net gain (loss) on disposal and write-down of assets in the consolidated statement of earnings (loss). A note receivable of $5,171 was also repaid as part of the transaction.

Agriculture Division

On April 1, 2023, a subsidiary of the Cooperative sold 50% of the shares of one of its subsidiaries, reducing its interest to 50% and leading to a loss in control over it, for a selling price of $1,051.

Following this transaction, $8,036 in current assets, $2,658 in non-current assets, $5,426 in current liabilities and $2,234 in non-current liabilities were derecognized. The retained interest, now considered as an interest in a joint arrangement, was accounted for using the equity method. A loss on sale of the shares and a loss on remeasurement of the remaining interest, totalling $932, were recorded as net loss on disposal and write-down of assets in the consolidated statement of earnings (loss).

On February 18, 2022, a subsidiary of the Cooperative sold 50% of the shares of one of its subsidiaries, reducing its interest to 50% and leading to a loss in control over it, for a selling price of $8,887. Two notes receivable totalling $2,000, bearing interest and due by 2032 based on the terms of the contract, were issued in connection with the transaction. An amount of $1,200 was repaid during 2023.

Following this transaction, $52,439 in current assets, $17,962 in non-current assets, $44,047 in current liabilities and $8,167 in non-current liabilities were derecognized. The retained interest, now considered as an interest in a joint arrangement, was accounted for using the equity method. A loss on sale of the shares and a loss on remeasurement of the remaining interest, totalling $413, were recorded as net loss on disposal and write-down of assets in the consolidated statement of earnings (loss).

Notes to consolidated financial statements
Years ended October 28, 2023 and October 29, 2022

10) Interests in joint arrangements

Oil sector

On July 31, 2023, a subsidiary of the Cooperative sold 42.45% of the common shares of one of its joint arrangements, for a total cash consideration of $65,835, reducing its interest to 7.55%. A loss on sale of shares of $16,819 was recorded as net loss on disposal and write-down of assets in the consolidated statement of earnings (loss). The retained interest consists of $15,000 of non-voting, non-participating preferred shares, redeemable in 15 years and accounted for in investments, as well as $10,000 of voting and participating common shares, recognized as an interest in an entity subject to significant influence.

Also on July 31, 2023, the Cooperative sold non-participating shares held in this joint arrangement for an amount of $11,665. This transaction resulted in a gain of $1,665 which was recorded as net gain (loss) on disposal and write-down of assets in the consolidated statement of earnings (loss).

Following this transaction, on September 29, 2023, this subsidiary of the Cooperative repurchased all the units of a group of non-controlling unitholders for a total consideration of $11,387. The amount by which the fair value of the consideration paid exceeded the carrying amount of the non-controlling interest was recorded as an increase in the reserve of $2,704 and the non-controlling interest was decreased by $14,092.

11) Investments in entities subject to significant influence

	2023 $	2022 $
Food Division - 8.9%–39.4% interests [6.8%–47.2% in 2022]	**114,210**	102,574
Agriculture Division - 16.5%–46% interests [7.6%–46.5% in 2022]	**23,500**	15,594
Retail Division - 20%–40% interests	**35,074**	29,928
Oil sector company - 7.6% interest	**10,392**	—
	183,176	148,096

Over the last two fiscal years, the Cooperative held no interests in entities subject to significant influence whose share exceeded the 10% threshold.

Agriculture Division

On November 1, 2022, the Cooperative sold 21% of the shares of one of its subsidiaries, reducing its interest to 30.2% and leading to a loss in control over it, for a selling price of $11,765. Following this transaction, $2,343 in current assets, $58,945 in non-current assets, $7,029 in current liabilities, $4,363 in non-current liabilities, and a $23,189 non-controlling interest were derecognized. The retained interest is now considered as an investment in an entity subject to significant influence of 16.5% held by the Agriculture Division, while the residual interest is held by a joint arrangement of the Food Division. These investments were accounted for using the equity method in the amount of $15,060. A gain of $118 resulting from the sale of shares was recorded as net gain (loss) on disposal and write-down of assets in the consolidated statement of earnings (loss).

On August 1, 2022, the Cooperative sold all of its shares held in an entity subject to significant influence for a consideration of $9,600. This transaction resulted in a gain of $1,290, which was recorded as net gain (loss) on disposal and write-down of assets in the consolidated statement of earnings (loss).

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

12) Investments

	2023 $	2022 $
Shares and other securities of cooperatives	**25,882**	17,209
Notes receivable, non-interest bearing, with no maturity	**16,868**	32,940
Note receivable, bearing interest at 5.91% [8.41% in 2022], with no maturity	**2,187**	8,205
Note receivable, non-interest bearing, repayable by annual instalments of $3,000 and a final payment of $4,000, maturing in October 2024	**6,846**	6,583
Other notes receivable, bearing interest at rates varying from 0% to 8.7% [0% and 15% in 2022], with no maturity or maturing between August 2024 and October 2037	**10,274**	15,816
	62,057	80,753
Investments – current portion	**5,917**	10,731
	56,140	70,022

13) Property, plant and equipment

	2023 Cost $	Accumulated amortization $	Net carrying amount $
Land	**141,816**	**—**	**141,816**
Pavement	**45,834**	**22,583**	**23,251**
Buildings	**945,228**	**333,730**	**611,498**
Machinery and equipment	**1,111,481**	**832,625**	**278,856**
Automotive equipment	**58,272**	**47,361**	**10,911**
Leasehold improvements	**25,638**	**6,873**	**18,765**
Assets under capital leases			
Buildings	**6,896**	**765**	**6,131**
Machinery and equipment	**31,342**	**3,991**	**27,351**
	2,366,507	**1,247,928**	**1,118 579**
Property, plant and equipment held for sale			
Current	**—**	**—**	**7,158**
Non-current	**—**	**—**	**20,880**

	2022 *[Restated - note 2]* Cost $	Accumulated amortization $	Net carrying amount $
Land	152,687	—	152,687
Pavement	45,436	19,554	25,882
Buildings	1,023,443	321,446	701,997
Machinery and equipment	1,126,451	775,810	350,641
Automotive equipment	60,899	49,580	11,319
Leasehold improvements	21,937	5,538	16,399
Assets under capital leases			
Buildings	2,597	563	2,034
Machinery and equipment	23,737	991	22,746
	2,457,187	1,173,482	1,283,705
Property, plant and equipment held for sale			
Current	—	—	6,061
Non-current	—	—	45,883

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

13) Property, plant and equipment

In the normal course of operations, to optimize its business locations, the Cooperative decided to sell property, plant and equipment with a total net carrying amount of $28,038 [$51,944 in 2022]. Of this amount, $7,158 [$6,061 in 2022] was presented as current property, plant and equipment held for sale and $20,880 [$45,883 in 2022], as non-current property, plant and equipment held for sale.

For a second year in a row, the infrastructure related to grain export activities resulted in negative cash flows. As a result, the Cooperative determined that there were indicators that the carrying amount of the asset was no longer recoverable and that it exceeded its fair value and therefore conducted an impairment test. Based on the results of the impairment test, the Cooperative determined that the estimated fair value was less than the carrying amount. As a result, an impairment loss of $46,396 was recorded by the subsidiary of the Cooperative as net loss on disposal and write-down of assets in the consolidated statement of earnings (loss) [$6,892 in 2022].

On June 28, 2023, the Food Division announced the closure of one of its plants, planned for the beginning of 2024. On July 1, 2023, a valuation of the building and land was carried out by an independent valuator. An impairment of $19,205 was recorded on these assets. The Cooperative measured the fair value of the other assets related to this plant based on historical data and recorded an impairment of $10,113. On October 28, 2023, a total impairment loss of $29,318 was therefore recorded and presented as net loss on disposal and write-down of assets in the consolidated statement of earnings (loss).

As at October 28, 2023, a plan of sale was approved by the Board of Directors for another Food Division plant. An impairment loss of $6,495 was recorded and presented as net loss on disposal and write-down of assets in the consolidated statement of earnings (loss) related to the closure of this plant. These assets were presented as property, plant and equipment held for sale.

The Cooperative's property, plant and equipment under construction are not subject to amortization. Their net carrying amount totalled $39,280 [$41,853 in 2022].

14) Intangible assets

	2023 Cost $	Accumulated amortization $	Net carrying amount $
Trademarks	**113,598**	**14,236**	**99,362**
Client lists	**250,984**	**99,773**	**151,211**
Exclusive supply rights	**99,846**	**52,688**	**47,158**
Production rights	**2,079**	**—**	**2,079**
Software and information technology development projects	**69,790**	**35,724**	**34,066**
Financial support	**11,227**	**3,994**	**7,233**
	547,524	**206,415**	**341,109**

	2022 Cost $	Accumulated amortization $	Net carrying amount $
Trademarks	122,749	16,909	105,840
Client lists	258,766	85,528	173,238
Exclusive supply rights	92,833	48,943	43,890
Production rights	44,922	—	44,922
Software and information technology development projects	64,764	35,637	29,127
Financial support	7,717	2,663	5,054
	591,751	189,680	402,071

The carrying amount of trademarks with indefinite lives, not subject to amortization, was $94,292 in 2023 and 2022.

On October 27, 2023, through the acquisition of all the shares of a company, a subsidiary of the Food Division acquired exclusive supply rights for $12,510.

Notes to consolidated financial statements
Years ended October 28, 2023 and October 29, 2022

14) Intangible assets

In fiscal 2023, the Food Division decided to discontinue the use of certain client lists and trademarks of one of its subsidiaries. Thus, the Cooperative determined that there were indicators that the carrying amount of the related client lists and trademarks of the subsidiary exceeded their fair value. Accordingly, the Cooperative undertook asset impairment tests based on a discounted cash flow analysis of those assets. Based on the results of the impairment tests, the Cooperative determined that the estimated fair value of the intangible assets was less than the carrying amount by $7,360. An impairment loss corresponding to this amount was recognized and reported under loss on disposal and write-down of assets in the consolidated statement of earnings (loss).

On February 22, 2022, a subsidiary of the Food Division sold intellectual property and certain other intangible asset items related to research activities for a consideration of $25,000. As the carrying amount of these assets was nil, a gain of the same amount was recorded as net gain (loss) on disposal and write-down of assets in the consolidated statement of earnings (loss).

During the month of October 2022, the Cooperative, via its Agriculture Division, sold production rights and farm assets with a carrying amount of $532 for a net consideration of $37,746. As a result, a gain of $37,214 was recorded as net gain (loss) on disposal and write-down of assets.

15) Goodwill

No impairment loss was recorded during fiscal 2023.

In 2022, for a second consecutive year, unfavourable market conditions resulted in significant losses in the Food Division.

As a result, the Cooperative determined that there were indicators that the carrying amount of the reporting unit to which goodwill is assigned exceeded the fair value of the reporting unit. Accordingly, the Cooperative undertook a goodwill impairment test, which was based on a discounted cash flow analysis.

Based on the results of the goodwill impairment test, the Cooperative determined that the estimated fair value of this reporting unit was less than the carrying amount. As a result, a goodwill impairment loss of $200,000 was recorded in a subsidiary of the Cooperative. Other assets held by the Cooperative were consequently written down, namely $43,629 in additional goodwill, $1,808 in intangible assets and $2,434 in property, plant and equipment. A total impairment loss of $247,871 was then recorded and presented as net loss on disposal and write-down of assets in the consolidated statement of earnings (loss) for the year ended October 29, 2022.

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Notes to consolidated financial statements
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16) Disposal of assets and discontinued operations

On August 31, 2022, the Board of Directors approved the discontinuation of the operations of a subsidiary in the Agriculture Division operating in the grain marketing business in Ontario. The non-current assets were part of an active plan of sale, which also includes the sale of infrastructure relating to these operations, which was completed during fiscal 2023. The current assets, current liabilities and financial obligations were collected or settled in the normal course of business until full discontinuation of these operations, mostly during the third quarter of fiscal 2023. As at October 28, 2023, this subsidiary reported remaining current assets of $2,199 [$110,367 in 2022], non-current assets of $360 [$19,281 in 2022] and current liabilities of $619 [$86,993 in 2022]. Non-current liabilities, comprising only of the credit facility, were repaid during the fiscal year [$43,055 in 2022].

The following table provides a breakdown of the net loss relating to discontinued operations:

	2023 $	2022 $
Revenues	**258,593**	680,142
Operating expenses		
Cost of sales and selling and administrative expenses	**257,595**	734,844
Net financial expenses	**2,883**	9,030
	260,478	743,874
Operating loss	**(1,885)**	(63,732)
Other income and expenses		
Net gains (losses) on disposal and write-down of assets	**244**	(991)
Loss before income taxes	**(1,641)**	(64,723)

No tax expense related to discontinued operations was incurred in 2023. For 2022, income tax recovery related to discontinued operations amounted to $16,540, which reduced the loss related to discontinued operations to $48,183.

17) Bank borrowings

Bank borrowings consist of a subsidiary's demand credit facility.

The demand credit facility, renewable annually, authorized for bank borrowings, advances, letters of credit and standby letters of credit, totalled $17,000, subject to a maximum of $6,000 for letters of credit and standby letters of credit. An amount of $12,190 was drawn as at October 28, 2023 [$16,684 as at October 29, 2022]. The credit facility bears interest at the prime rate of 7.20% in 2023 [5.95% in 2022]. The Cooperative is joint and several guarantor for all amounts owing under this agreement.

As at October 29, 2022, a subsidiary of the Cooperative, which was deconsolidated during the fiscal year, had bank borrowings in the amount of $1,248.

18) Accounts payable and accrued liabilities

	2023 $	2022 $
Trade payables and accrued liabilities	**767,903**	901,048
Government remittances	**11,596**	11,260
Other accrued interest	**10,623**	4,453
	790,122	916,761

During the fiscal year, the Food Division announced the closure of plants. The total amount of termination benefits was estimated and recorded in 2023 as accrued liabilities in the amount of $6,935 and will be paid in fiscal 2024.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

19) Obligations under capital leases

	2023 $	2022 $
Obligation under a capital lease bearing interest at a fixed rate of 6.84%, repayable in blended monthly instalments of $505, maturing in October 2025	**10,853**	15,977
Obligations under capital leases, bearing interest at rates varying from 6.55% to 8.84% [6.55% in 2022], repayable in blended monthly instalments ranging from $20 to $131 [$88 in 2022], maturing from March 2025 to August 2026 [October 2025 in 2022]	**8,448**	2,787
Obligation under a capital lease bearing interest at the prime rate plus 1%, repayable in monthly principal instalments of $45, maturing in December 2060	**3,763**	—
Obligation under a capital lease bearing interest at a fixed rate of 6.99%, repayable in blended monthly instalments of $99, maturing in October 2025	**2,134**	3,138
	25,198	21,902
Obligations under capital leases – current portion	**10,803**	7,025
	14,395	14,877

Minimum lease payments in upcoming fiscal years are as follows:

	$
2024	**10,803**
2025	**10,800**
2026	**1,445**
2027	**537**
2028	**537**
2029 and thereafter	**1,076**

20) Long-term debt

	2023 $	2022 $
Credit facility,[1] drawn under margin loans and under SOFR advances at rates ranging from 6.64% to 6.70% as at October 28, 2023 [7.98% to 8.38% in 2022], maturing in December 2026	**302,168**	858,868
Credit facility[2] of a subsidiary, drawn under Canadian and U.S. margin loans at the prime rate plus a variable rate [5.95% in 2022] determined by a quarterly financial ratio, in the form of bankers' acceptances [8.52% in 2022], repaid in advance in July 2023	—	43,564
Term credit, secured by movable and immovable hypothecs on most of the assets, comprising two instalments bearing interest at a fixed rates of 6.50% for a notional amount of $60,000 and 4.64% for a notional amount of $40,000, repayable in seven annual principal payments of $8,571 and $5,714, respectively, starting on November 1, 2023	**100,000**	100,000
Term credit of a subsidiary, secured by an immovable hypothec on certain assets with a carrying amount of $133,395 in 2023 [$139,537 in 2022], drawn as margin loans at the prime rate plus 1%, representing a rate of 8.20% [in the form of bankers' acceptances at the variable one-month CDOR rate of 3.74% plus 2.55%, representing a rate of 6.29%, and in the form of margin loans at the prime rate plus 1%, representing a rate of 6.95% in 2022] repayable in quarterly principal payments of $1,034 and a final payment of $95,151 on January 29, 2024	**95,151**	100,322

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20) Long-term debt

	2023 $	2022 $
Term credit of a subsidiary, secured by an immovable hypothec on the universality of the property of this subsidiary with a carrying amount of $47,249 [$97,680 in 2022], bearing interest at a fixed rate of 12.0% [6.0% in 2022], principal and interest repayable in full on May 31, 2025	**39,433**	36,500
Term credit of a subsidiary, secured by an immovable hypothec on the universality of the property of this subsidiary with a carrying amount of $47,249 [$97,680 in 2022], bearing interest at a fixed rate of 13.0% [7.0% in 2022], principal and interest repayable in full on May 31, 2025	**3,190**	3,000
Loan, bearing interest at the fixed rate of 5.25% in 2023 [3.5% in 2022], repayable on demand	**17,220**	15,147
Note payable of a subsidiary, bearing interest at the variable rate of 5.00% in 2022 adjustable based on the Bank of Canada rate, maturing in October 2023	—	12,169
Note payable of a subsidiary, without interest or repayment terms	**7,000**	6,000
Note payable of a subsidiary, bearing interest at the fixed rate of 6.00% maturing in November 2023	**6,296**	—
Mortgage loans of a subsidiary, secured by movable and immovable hypothecs, drawn in the form of bankers' acceptances [at the rate of 4.18% in 2022] and of a margin loan bearing interest at the prime rate less 0.25% [5.70% in 2022], maturing between November 2022 and June 2023. This subsidiary was deconsolidated in November 2022	—	5,263
Other borrowings, bearing interest at rates ranging from 0% to 7.20% in 2023 [from 0% to 5.95% in 2022], maturing in January 2026 [between December 2022 and January 2026 in 2022].	**1,922**	3,655
	572,380	1,184,488
Transaction costs	**(906)**	(2,475)
	571,474	1,182,013
Long-term debt – current portion	**140,297**	46,009
	431,177	1,136,004

1. The Cooperative had an overall revolving credit facility of $1,100,000 in 2023 and 2022, secured by movable and immovable hypothecs on most of the assets. The Cooperative can use this credit as follows: Canadian-dollar margin loans [$83,117 and $82,021 used in 2023 and 2022, respectively] and/or US-dollar margin loans [US$2,925 and US$1,356 used in 2023 and 2022, respectively], SOFR advances in US dollars [US$157,054 used in 2023 and US$563,909 used in 2022 in the form of LIBOR advances] and standby letters of credit. The interest rate is based on a rate schedule that varies based on a financial ratio calculated quarterly on a consolidated basis. The weighted rate as at October 28, 2023 was 6.98% [8.38% as at October 29, 2022]. On December 22, 2023, the Cooperative amended and renewed its overall credit facility agreement for a period of 3 years. Other conditions related to this credit facility remain mainly unchanged.

2. As at October 29, 2022, a subsidiary of the Cooperative had a revolving credit facility of $105,000 that it can use as follows: Canadian-dollar margin loans [$6,979 used] and/or US-dollar margin loans [US$505 used], bankers' acceptances [$36,000 used], SOFR advances and standby letters of credit. The interest rate was based on a rate schedule that varied based on a financial ratio calculated quarterly on a consolidated basis. Under the same credit agreement, the Cooperative had a term credit of $20,000 that could be used to issue letters of credit. This credit facility was subject to compliance with certain financial ratios based on the statutory financial statements of the Cooperative's subsidiary. The weighted rate in 2022 was 8.69%. This credit facility was repaid July 2023.

The Cooperative's long-term debt is subject to compliance with certain financial ratios based on the Cooperative's consolidated financial statements. As at October 28, 2023, the Cooperative was in compliance with these financial ratios.

On December 22, 2023, the Cooperative reached an agreement for a term credit of $270,000, secured by a movable and immovable hypothec on certain assets, maturing on December 22, 2026. The purpose of this credit facility, comprising two instalments, is, among other things, to replace the term credit of a subsidiary maturing on January 29, 2024. The second instalment must be used only for the purpose of redeeming preferred investment units according to the terms of the agreement. In conjunction with the use of the first instalment of credit, an interest rate swap was set up by the Cooperative to cover the interest rate risk underlying this credit facility. The net effective fixed rate for this derivative financial instrument is 5.2%.

The principal repayments required over the next five fiscal years are as follows: 2024 – $141,203; 2025 – $57,483; 2026 – $14,384; 2027 – $316,454; 2028 – $14,286; 2029 and thereafter – $28,570.

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21) Deferred credit

During the fiscal year, the Food and Retail divisions took part in sale-leaseback transactions for a total consideration of $71,935 [$58,500 in 2022]. The excess of the gain from the sale over the present value of the minimum lease payments, totalling $13,626 [$30,188 in 2022], was recorded as net gain (loss) on disposal and write-down of assets and the difference of $27,594 [$7,974 in 2022] was deferred and amortized over the term of the lease. As at October 28, 2023, the balance of deferred credit amounted to $31,307 [$5,681 in 2022].

22) Employee future benefits

The Cooperative measures its defined benefit plan obligations and the fair value of plan assets at each year-end.

The most recent actuarial valuations of the pension plans for funding purposes were made as at October 29, 2022 for one plan, as at December 31, 2022 for five plans, and as at October 28, 2023, for two plans. The next required actuarial valuations will be as at October 26, 2024 for two plans, as at October 25, 2025 for one plan, and as at December 31, 2025 for five plans.

The most recent actuarial valuations of the other post-retirement benefit plans were made as at October 28, 2023 for these four plans. The next required actuarial valuations will be as at October 26, 2024 and as at October 31, 2026.

Information on the Cooperative's pension plans and other post-retirement benefits is as follows:

2023	**Pension plans $**	**Other post-retirement benefits $**	**Total $**
Defined benefit obligations	**168,216**	**16,105**	**184,321**
Fair value of plan assets	**166,227**	**—**	**166,227**
Net defined benefit liability	**(1,989)**	**(16,105)**	**(18,094)**

2022	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit obligations	238,030	26,697	264,727
Fair value of plan assets	228,004	—	228,004
Net defined benefit liability	(10,026)	(26,697)	(36,723)

The net defined benefit asset and liability presented in the Cooperative's consolidated balance sheet are as follows:

2023	**Pension plans $**	**Other post-retirement benefits $**	**Total $**
Defined benefit asset	**41,788**	**—**	**41,788**
Defined benefit liability	**(43,777)**	**(16,105)**	**(59,882)**
Net defined benefit liability	**(1,989)**	**(16,105)**	**(18,094)**

2022	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit asset	35,575	—	35,575
Defined benefit liability	(45,601)	(26,697)	(72,298)
Net defined benefit liability	(10,026)	(26,697)	(36 723)

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Years ended October 28, 2023 and October 29, 2022

22) Employee future benefits

The cost of defined benefit pension plans is as follows:

2023	**Pension plans $**	**Other post-retirement benefits $**	**Total $**
Current service cost	**5,839**	**1,665**	**7,504**
Interest cost	**638**	**1,461**	**2,099**
Remeasurements and other items	**(5,782)**	**(12,722)**	**(18,504)**
Employee future benefit cost (income)	**695**	**(9,596)**	**(8,901)**

On May 16, 2023, the Cooperative and one of its subsidiaries purchased annuities for some of their pension plans. The obligations relating to retired plan members were therefore transferred as a result of this transaction, resulting in a loss of $2,125 presented under remeasurements and other items.

2022	Pension plans $	Other post-retirement benefits $	Total $
Current service cost	5,685	2,629	8,314
Interest cost (income)	(1,056)	1,204	148
Remeasurements and other items	13,226	(10,951)	2,275
Employee future benefit cost (income)	17,855	(7 ,118)	10,737

23) Share capital

[The amounts in the description of share capital are in dollars.]

The Cooperative's share capital is variable and unlimited with regard to the number of shares issuable. The rights, restrictions and conditions relating to each type of share are determined by the Board of Directors. The share capital consists of:

Class A preferred shares

Class A preferred shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors. These shares are issued upon the conversion of common shares held by members who do not fulfill the commitments of their contracts with the Cooperative or if the contract commitments are not renewed.

Preferred investment shares

Series 1 – FSTQ preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022. They carry an annual dividend, payable semiannually, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 2 – CRCD preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022. They carry an annual dividend, payable semiannually, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 3 – ESSOR preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022. They carry an annual dividend, payable semiannually, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 4 – FONDACTION preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022. They carry an annual dividend, payable semiannually, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 5 – FSTQ preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on are after October 24, 2022. They carry an annual dividend, payable semiannually, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

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23) Share capital

Preferred investment shares [cont'd]

Series 6 – 2017 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after June 1, 2020. They carry an annual dividend, payable semiannually, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 7 – 2019 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after November 1, 2022. They carry an annual dividend, payable semiannually, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 8 – 2020 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 1, 2023. They carry an annual dividend, payable semiannually, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 9 – 2022 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors starting the day of their issuance. They carry an annual dividend, payable semiannually, cumulative and preferential except for the interest on Cooperative Investment Plan shares. On August 1, 2023, the Cooperative's Board of Directors resolved to redeem all the shares in this Series.

Cooperative Investment Plan preferred shares

Preferred shares with a par value of $10, issued to employees of the Cooperative in accordance with the Cooperative Investment Plan, bearing interest at a rate determined by the Board of Directors, redeemable at their par value by the Cooperative upon a decision of the Board of Directors on or after the fifth anniversary of their issuance.

Common shares

Class A common shares, with a par value of $25. Holding such shares is an essential condition to qualify as a member and obtain voting rights. These shares are redeemable at their par value upon a decision of the Board of Directors.

Class AA common shares, with a par value of $25. Holding such shares is an essential condition to qualify as a member of the pork chain and obtain voting rights. These shares are redeemable at their par value upon a decision of the Board of Directors.

Class B-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. However, the Board of Directors may not redeem Class B-1 common shares if there are any outstanding Class D-1 common shares. These shares were issued to members as partial payment of patronage refunds.

Class D-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. These shares were issued to members as partial payment of patronage refunds.

Class P-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. The redemption date must also coincide with that for Class D-1 common shares issued during the same year. These shares were issued to members as partial payment of patronage refunds.

Class P-2, Series 1–286 common shares, with a par value of $25, non-voting and redeemable at their par value upon a decision of the Board of Directors. However, the Board of Directors may not redeem Class P-2 common shares if there are any common shares outstanding other than Class B-1, D-1 or P-1 common shares. These shares were issued to members as Class AA common share dividends.

Class P-100 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors. These shares were issued to members as discretionary eligible dividends.

Class P-200 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors.

Class AUXILIARY MEMBERS common shares, with a par value of $25, non-voting and redeemable at their par value upon a decision of the Board of Directors.

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23) Share capital

At year-end, the issued and fully paid shares were as follows:

	Number		Amount	
	2023	2022	**2023** $	2022 $
Preferred shares				
Class A	**436,318**	436,318	**437**	437
Series 1 – FSTQ investment shares	**500,000**	500,000	**50,000**	50,000
Series 2 – CRCD investment shares	**500,000**	500,000	**50,000**	50,000
Series 3 – ESSOR investment shares	**50,000**	50,000	**5,000**	5,000
Series 4 – FONDACTION investment shares	**250,000**	250,000	**25,000**	25,000
Series 5 – FSTQ investment shares	**250,000**	250,000	**25,000**	25,000
Series 6 – 2017 investment shares	**2,000,000**	2,000,000	**200,000**	200,000
Series 7 – 2019 investment shares	**3,000,000**	3,000,000	**300,000**	300,000
Series 8 – 2020 investment shares	**1,500,000**	1,500,000	**150,000**	150,000
Cooperative Investment Plan				
Series 2017, redeemable as of 2023, 3.5%	**—**	709,610	**—**	7,096
Series 2018, redeemable as of 2024, 3.75%	**760,655**	762,255	**7,607**	7,622
Series 2019, redeemable as of 2025, 3.5%	**803,934**	805,234	**8,039**	8,052
Series 2020, redeemable as of 2026, 3.5%	**985,530**	985,530	**9,855**	9,855
Series 2021, redeemable as of 2027, 4.0%	**1,002,954**	1,002,954	**10,030**	10,030
Series 2022, redeemable as of 2028, 4.5%	**896,441**	—	**8,964**	—
	12,935,832	12,751,901	**849,932**	848,092
Transaction costs	**—**	—	**(7,447)**	(7,302)
	12,935,832	12,751,901	**842,485**	840,790
Preferred shares reported as a financial liability	**(760,655)**	(709,610)	**(7,607)**	(7,096)
	12,175,177	12,042,291	**834,878**	833,694
Common shares				
Class A	**30,735**	30,742	**769**	769
Class AA	**2,640**	2,680	**66**	67
Class B-1	**42,321,752**	42,321,752	**42,322**	42,322
Class D-1	**243,220,438**	243,224,888	**243,220**	243,224
Class P-1	**4,788,356**	4,788,356	**4,788**	4,788
Class P-2	**258**	262	**7**	7
Class P-100	**22,776,775**	22,781,225	**22,777**	22,781
Class P-200	**4,737,281**	4,737,281	**4,737**	4,737
AUXILIARY MEMBERS	**530**	510	**13**	13
	317,878,765	317,887,696	**318,699**	318,708
	330,053,942	329,929,987	**1,153,577**	1,152,402

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23) Share capital

Transactions during the year were as follows:

	Number		Amount	
	2023	2022	2023 $	2022 $
Preferred shares				
Balance, beginning of year	**12,751,901**	12,328,707	**840,790**	837,078
Issued:				
Cooperative Investment Plan – Series 2022 [Series 2021 in 2022]	**896,441**	1,002,954	**8,964**	10,030
Series 9 – 2022 investment shares	**886,405**	—	**88,641**	—
Transaction costs	**—**	—	**(145)**	—
	1,782,846	1,002,954	**97,460**	10,030
Transferred:				
Class A	**—**	57,807	**—**	58
Redeemed:				
Cooperative Investment Plan – Series 2016	**—**	(633,567)	**—**	(6,336)
Cooperative Investment Plan – Series 2017	**(709,610)**	(1,000)	**(7,096)**	(10)
Cooperative Investment Plan – Series 2018	**(1,600)**	(1,000)	**(15)**	(10)
Cooperative Investment Plan – Series 2019	**(1,300)**	(1,000)	**(13)**	(10)
Cooperative Investment Plan – Series 2020	**—**	(1,000)	**—**	(10)
Series 9 – 2022 investment shares	**(886,405)**	—	**(88,641)**	—
	(1,598,915)	(637,567)	**(95,765)**	(6,376)
	12,935,832	12,751,901	**842,485**	840,790
Cooperative Investment Plan – Series 2018 [Series 2017 in 2022] – current portion	**(760,655)**	(709,610)	**(7,607)**	(7,096)
Balance, end of year	**12,175,177**	12,042,291	**834,878**	833,694
Common shares				
Balance, beginning of year	**317,887,696**	318,470,483	**318,708**	319,306
Issued:				
Class A	**449**	656	**12**	16
Class AA	**—**	20	**—**	1
Class P-2	**—**	2	**—**	—
AUXILIARY MEMBERS	**20**	10	**—**	—
	469	688	**12**	17
Transferred:				
Class B-1	**—**	(37,391)	**—**	(37)
Class D-1	**—**	(20,416)	**—**	(21)
	—	(57,807)	**—**	(58)
Consolidation adjustments:				
Class P-100	**—**	(31,383)	**—**	(31)
Class P-200	**—**	(152,657)	**—**	(153)
	—	(184,040)	**—**	(184)

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23) Share capital

Common shares [cont'd]

	Number		Amount	
	2023	2022	2023 $	2022 $
Redeemed:				
Class A	**(456)**	(1,192)	**(12)**	(29)
Class AA	**(40)**	(70)	**(1)**	(2)
Class B-1	**—**	(28,457)	**—**	(29)
Class D-1	**(4,450)**	(67,264)	**(4)**	(67)
Class P-1	**—**	(32,591)	**—**	(33)
Class P-2	**(4)**	(7)	**—**	—
Class P-100	**(4,450)**	(189,424)	**(4)**	(190)
Class P-200	**—**	(22,623)	**—**	(23)
	(9,400)	(341,628)	**(21)**	(373)
Balance, end of year	**317,878,765**	317,887,696	**318,699**	318,708

On September 6, 2023, the Board of Directors authorized a preferred share issue pursuant to the Cooperative Investment Plan, Series 2023, as of November 30, 2023, under which 970,000 preferred shares were issued for a cash consideration of $9,700. On September 6, 2023, the Board of Directors also resolved to redeem, on or after November 30, 2023, 760,655 preferred shares issued under the Cooperative Investment Plan, Series 2018, for a cash consideration of $7,607.

On September 1, 2022, the Board of Directors authorized a preferred share issue pursuant to the Cooperative Investment Plan, Series 2022, as of November 30, 2022, under which 896,441 preferred shares were issued for a cash consideration of $8,964. On September 1, 2022, the Board of Directors also resolved to redeem, on or after November 30, 2022, 709,610 preferred shares issued under the Cooperative Investment Plan, Series 2017, for a cash consideration of $7,096.

On August 1, 2023, the Cooperative's Board of Directors resolved to redeem all 886,405 of Series 9 – 2022 preferred investment shares for a cash consideration of $88,641. On July 31, 2023, $2,465 in dividends were declared on Series 9 – 2022 investment shares and paid in cash before their redemption.

On March 31, 2023, dividends declared on the preferred investment shares were settled by the issuance of Series 9 – 2022 investment shares for an amount of $26,870 and a cash payment of $7,500. On September 6, 2023, all dividends declared on the preferred investment shares were settled by a cash payment of $28,670.

Fiscal 2022 dividends on the preferred investment shares were declared on November 30, 2022 in the form of an issuance of a new series of preferred investment shares, namely Series 9 – 2022 investment shares, for an amount of $61,770 and a cash payment of $7,500. An amount of $4,036 relating to fiscal 2021 was presented as dividends and interest payable on preferred shares as at October 30, 2021.

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24) Commitments and contingencies

a) Contracts related to operations

The Cooperative has entered into long-term operating leases for buildings and equipment. The future minimum lease payments of the Cooperative under these operating leases totalled $270,719 and are as follows for the coming fiscal years: 2024 – $65,521; 2025 – $46,874; 2026 – $37,331; 2027 – $33,449; 2028 – $25,536; 2029 and thereafter – $62,008.

The Cooperative also has commitments under computer equipment and software leases. The future minimum lease payments of the Cooperative under these operating leases totalled $24,076 and are as follows for the coming fiscal years: 2024 – $14,803; 2025 – $3,743; 2026 – $3,221; 2027 – $2,309.

In the normal course of business, the Cooperative commits to suppliers through supply agreements. The Cooperative's commitments under these contracts do not exceed one year in duration.

b) Repurchase of the units of non-controlling unitholders

Food Division

A non-controlling unitholder of one of the Cooperative's subsidiaries, holding 5.8% of the units of said subsidiary has an option to sell, on or after April 30, 2028, all of its units to the Cooperative's subsidiary, which is obligated to repurchase such units or transfer this obligation to its limited partners. The Cooperative is ultimately responsible for the total repurchase of units in the event of refusal by the other limited partners. The sale of the units and the payment of their sale price may be made in a maximum of three equal and consecutive annual instalments or sooner, according to the terms of the agreement.

Another non-controlling unitholder of one of the Cooperative's subsidiaries, holding 2.9% of the units of said subsidiary, has an option to sell, on or after December 31, 2027, all of its units to the Cooperative, which is obligated to repurchase or require its subsidiary to repurchase such units. The sale of the units and the payment of their sale price may be made in a maximum of three equal and consecutive annual instalments or sooner, according to the terms of the agreement.

A group of non-controlling unitholders of one of the Cooperative's subsidiaries, holding 2.6% of the units of said subsidiary, has an option to sell, on or after December 31, 2023, all of its units to the Cooperative, which is obligated to repurchase or require its subsidiary to repurchase such units. The sale of the units and the payment of their sale price may be made in a maximum of four equal and consecutive annual instalments or sooner, according to the terms of the agreement. During fiscal 2023, this same group of non-controlling unitholders exercised its option to exchange its units in a joint arrangement for units of a subsidiary of the Cooperative, which will lead to a decrease of the Cooperative's interest in this subsidiary. As a result, control over the joint arrangement will be affected and the joint arrangement will be accounted for as a subsidiary.

Another group of non-controlling unitholders of one of the Cooperative's subsidiaries, holding 4.6% of the units of said subsidiary, has an option to sell all or 50% of its units to the Cooperative, which is obligated, to repurchase or require its subsidiary to repurchase such units. In the event the option is partially exercised, the redemption of the remaining units may be exercised on or after the fifth anniversary of the date of the first notice of partial exercise of the units. The sale of the units and the payment of their selling price may be made in a maximum of two equal and consecutive annual instalments, or sooner, according to the terms of the agreement, if the options are exercised on or before October 30, 2026, whereas they will be exercised in a maximum of three equal and consecutive annual instalments, or sooner if the options are exercised after October 30, 2026.

Agriculture Division

A group of non-controlling shareholders holding 6.25% of the shares of a subsidiary, has an option to sell all of its shares to the Cooperative, as of July 3, 2023 up to the option expiry date of July 3, 2026. The sale of the units and the payment of their sale price may be made in a maximum of three annual instalments or sooner, according to the terms of the agreement. The repurchase price is based on the value of the subsidiary, with a floor price.

Retail division

A group of non-controlling shareholders holding 30% of the shares of a subsidiary has an option to sell, after the fiscal year ending in 2026, all or a portion of its interests to the Cooperative via a subsidiary. In the event the option is partially exercised, the repurchase of the remaining interests may be carried out over several fiscal years up to a maximum of three times.

Via its subsidiary, the Cooperative has an option to purchase all or a portion of the interests, on or after October 31, 2026, under the terms of the agreement.

c) Claims and lawsuits

In the normal course of business, various claims and lawsuits are brought against the Cooperative. Legal proceedings are often subject to numerous uncertainties, and it is not possible to predict the outcome of individual cases. In management's opinion, the Cooperative has made adequate provision for or has adequate insurance to cover all claims and lawsuits, and their settlement should not have a significant negative impact on the Cooperative's financial position.

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25) Guarantees

In the normal course of business, the Cooperative has entered into agreements that contain features which meet the definition of a guarantee.

These agreements may require the Cooperative to compensate third parties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, and claims that may arise while providing services.

Guarantee contracts

The Cooperative is committed under comfort letters with financial institutions regarding guarantees for interests in joint arrangements and third parties. The balance of amounts due as at October 28, 2023 totalled $55,637 [$63,926 in 2022]. The Cooperative's commitment under these guarantee contracts is limited to the repurchase of inventory.

26) Financial instruments

a) Derivative financial instruments

In the normal course of business, the Cooperative uses a number of derivative financial instruments, such as foreign exchange contracts, forward contracts, swaps and commodity and currency options to reduce its exposure to exchange rate, interest rate and commodity price fluctuations. These instruments are used exclusively for risk management purposes.

Derivative financial instruments for which hedge accounting is applied

Foreign exchange contracts

The following table sets out the amounts relating to foreign exchange contracts with maturities of less than one year:

Type	Country	Foreign currency notional	Average exchange rate	
			2023	2022
Sale	United States	**US$600,000** [US$112,000 in 2022]	**1.3508**	1.3493
Sale	Japan	**¥5,166,342** [¥4,233,771 in 2022]	**0.009264**	0.009410
Sale	Australia	**A$2,553** [A$1,438 in 2022]	**0.8708**	0.8751

Currency swaps on debt

To manage risks related to changes in foreign exchange rates, the Cooperative uses derivative financial instruments to set the Canadian-dollar amount of instalments on debt denominated in U.S. dollars. As at October 28, 2023, a debt amounting to US$157,054 [US$563,919 in 2022] was hedged using foreign currency debt agreements. These financial instruments serve to hedge the impact of changes in foreign exchange rates of this debt on the equivalent Canadian dollar amount of $215,000 [$775,000 in 2022].

Derivative financial instruments for which hedge accounting is not applied

Commodity and currency forward contracts, options and swaps

As a result of the discontinuance of its grain business, the Cooperative no longer holds any sell or buy positions related to these operations. In 2022, the Cooperative entered into forward purchase and sale contracts with its suppliers and clients to set various grain prices. The following table shows the amounts relating to these contracts:

	2023		2022	
	Notional $	**Gain $**	Notional $	Gain (loss) $
Sale contracts	—	—	199,421	1,830
Purchase contracts	—	—	123,813	13,011
Net position – Sale	—	—	75,608	14,841

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Years ended October 28, 2023 and October 29, 2022

26) Financial instruments

a) Derivative financial instruments [cont'd]

The Cooperative also entered into forward contracts for various grains and currencies as well as currency and commodity swaps with financial institutions and in the markets to reduce its exposure to fluctuations in various prices of grain for supplying feed mills [as well as to purchase and sell grain at a set price in 2022]. The following table shows the amounts relating to these contracts:

	2023		2022	
	Notional $	Gain (loss) $	Notional $	Gain (loss) $
Commodity swaps and sale contracts	16,763	615	144,804	(1,804)
Commodity purchase contracts	10,731	739	26,988	(358)
Foreign currency sale contracts	12,674	(191)	163,661	(4,203)
Foreign currency purchase contracts	24,284	503	5,931	24
Net position – Purchase (sale in 2022)	5,578	1,666	275,546	(6,341)

The Cooperative has entered into commodity and foreign currency forward contracts and swaps to hedge the risk of fluctuations in hog, fertilizer and construction materials prices [as well as the foreign exchange risk related to sales outside of Canada in 2022]. The following table shows the amounts relating to these contracts:

	2023		2022	
	Notional $	Gain (loss) $	Notional $	Gain (loss) $
Commodity swaps and sale contracts	37,289	3,562	94,918	(1,346)
Commodity swaps and purchase contracts	27,422	(1,497)	45,209	3,636
Foreign currency sale contracts	5,254	(154)	835,822	(16,591)
Foreign currency purchase contracts	236,068	2,954	198,118	4,416
Net position – Purchase (Sale in 2022)	220 947	4,865	687,413	(9,885)

The above tables present the notional amounts of derivative financial instruments. These amounts correspond to the contractual amount used as a reference to calculate payment amounts. Notional amounts are generally not exchanged by counterparties and do not reflect the Cooperative's exposure in the event of default.

Interest rate swaps

To manage risks related to changes in interest rates, the Cooperative uses derivative financial instruments to set the initial variable interest rates as fixed interest rates. As at October 28, 2023, interest rate swaps under which the Cooperative receives interest at the variable one-month CDOR rate of 5.42% in 2023 [4.15% in 2022] on a notional of $250,000 [$75,000 in 2022] were in effect. The Cooperative pays interest at fixed rates ranging from 3.08% to 4.69% [3.28% in 2022]. These swaps provide for monthly net settlement of interest received and paid. These swaps mature from May 2026 to March 2028 [August 2027 in 2022].

A gain of $9,355 [gain of $22,293 in 2022] was recognized under Gains on remeasurement of interest rate swaps in the consolidated statement of earnings (loss).

b) Fair value of derivative financial instruments

The fair value of the derivative financial instruments reflects the estimated amounts the Cooperative would receive (or pay) to terminate open contracts at year-end. The prices obtained by the Cooperative's bankers are compared with closing capital market prices.

The fair value of derivative financial instruments was as follows:

Derivatives	2023 $	2022 $
Commodity and currency forward contracts, options and swaps – asset	7,653	28,213
Commodity and currency forward contracts, options and swaps – liability	(1,187)	(29,598)
Interest rate swaps – asset	8,279	1,281
	14,745	(104)

In fiscal 2023 and 2022, no amounts were recognized in the consolidated statement of earnings (loss) for the ineffective portion of hedging relationships for foreign exchange contracts and currency swaps on debt.

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26) Financial instruments

c) Nature and extent of risks arising from financial instruments and related risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Cooperative by failing to discharge its obligations. The maximum exposure to credit risk for the Cooperative is equal to the carrying amount of the following financial instruments:

Trade receivables and notes receivable

In the normal course of business, the Cooperative evaluates the financial position of its clients on a regular basis and examines the credit history of new clients. To protect itself against financial losses related to credit risk, the Cooperative has a policy that sets out credit conditions for various areas of operations. Specific credit limits are set for each sector and client and reviewed periodically. The allowance for doubtful accounts is based on the client's specific credit risk and historical trends. Moreover, the Cooperative holds security on the assets and investments of certain clients in the event of default. The Cooperative believes its credit risk exposure to trade receivables and notes receivable to be minimal due to client and sector diversification.

Derivatives

Credit risk related to derivative financial instruments is limited to unrealized gains, if any. The Cooperative is likely to incur losses if parties fail to meet their commitments related to these instruments. However, the Cooperative views this risk as minimal or non-existent, as it deals only with highly rated financial institutions.

Liquidity risk

Liquidity risk is the risk that the Cooperative will encounter difficulty in meeting its obligations associated with financial liabilities.

The Cooperative manages this risk by drawing up detailed financial projections and developing a long-term acquisition strategy. Treasury management at the consolidated level requires constant monitoring of expected cash inflows and outflows based on the Cooperative's consolidated financial position projections. Liquidity risk is evaluated using historical volatility, seasonal needs, current financial obligations and long-term debt obligations.

Market risk

Foreign exchange risk

The Cooperative often makes purchases and sales abroad. The Cooperative's policy is to maintain the purchase costs and selling prices of its business transactions by hedging its positions using derivative financial instruments. To protect these transactions against foreign exchange fluctuations, the Cooperative uses foreign exchange forward contracts, currency swaps and currency options.

The Cooperative's main foreign exchange risks are covered by a centralized treasury department. Foreign exchange risk is managed in accordance with the foreign exchange risk management policy. The policy aims to protect the Cooperative's operating income by eliminating the exposure to currency fluctuations. The foreign exchange risk management policy prohibits speculative transactions.

Interest rate risk

Interest rate risk relating to financial assets and liabilities results from changes in interest rates that the Cooperative may experience. The Cooperative believes that notes receivable, bank borrowings and obligations under variable-rate long-term debt give rise to cash flow risk, as the Cooperative could be adversely affected in the event of changes in interest rates.

Centralized treasury management aims to match and bring about an appropriate combination of fixed- and variable-rate borrowings to minimize the impact of interest rate fluctuations. Furthermore, to protect its long-term debt against interest rate fluctuations, the Cooperative uses interest rate swaps.

Other price risk

Commodity price risk

Input prices are determined by several external factors. Extreme price volatility results from constant changes in supply markets. The Cooperative's policy is to maintain the purchase costs and selling prices of its business transactions by hedging its positions using derivative financial instruments. To protect these transactions against commodity price fluctuations, the Cooperative uses commodity forward contracts, swaps and options.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

27) Related party transactions

The Cooperative enters into transactions with its joint arrangements in the normal course of business. Those transactions, measured at the exchange amount, are summarized as follows:

	2023 $	2022 $
Consolidated statement of earnings (loss)		
Revenues	**1,533,123**	1,533,985
Cost of sales and selling and administrative expenses	**375,723**	406,989
Investment income	**677**	1,658

	2023 $	2022 $
Consolidated balance sheet		
Assets		
Accounts receivable	**109,574**	82,922
Derivative financial instruments	**—**	405
Investments	**12,238**	38,498
Liabilities		
Accounts payable and accrued liabilities	**10,281**	17,760
Deferred revenues	**108,260**	156,743
Derivative financial instruments	**—**	115
Note payable of a subsidiary, without interest or repayment terms	**7,000**	6,000

The investments with the joint arrangements are as follows:

	2023 $	2022 $
Note receivable, non-interest bearing, repayable on demand	**10,338**	14,644
Note receivable, non-interest bearing, repayable by annual payments of $3,000 and a final payment of $4,000, maturing in October 2024	**—**	6,583
Note receivable, bearing interest at 15%, without terms of repayment	**—**	5,171
Note receivable, bearing interest at 5%, without terms of repayment	**—**	500
Note receivable, bearing interest at 8%, without terms of repayment	**500**	—
Note receivable, non-interest bearing, repayable under the terms of the agreement	**800**	1,000
Note receivable, bearing interest at the prime rate plus 0.5%	**600**	600
Preferred shares	**—**	10,000
	12,238	38,498

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

27) Related party transactions

The Cooperative enters into transactions with its entities subject to significant influence in the normal course of business. Those transactions, measured at the exchange amount, are summarized as follows:

	2023 $	2022 $
Consolidated statement of earnings (loss)		
Revenues	**162,429**	194,924
Cost of sales and selling and administrative expenses	**376,733**	457,289

	2023 $	2022 $
Consolidated balance sheet		
Assets		
Accounts receivable	**7,776**	8,587
Note receivable, non-interest bearing, repayable by annual payments of $3,000 and a final payment of $4,000, maturing in October 2024	**6,846**	—
Note receivable, bearing interest at 5.91% [8.41% in 2022], with no maturity	**2,187**	8,205
Note receivable, non-interest bearing, with no maturity	**1,750**	9,341
Preferred shares	**15,000**	—
Liabilities		
Accounts payable and accrued liabilities	**4,528**	31,554
Derivative financial instruments	**—**	3

28) Subsequent events

On December 18, 2023, the Board of Directors resolved to repurchase 10% of each of the series of preferred investment shares for a cash consideration of $80,500.

On January 16, 2024, the Board of Directors resolved to repurchase 27,772,815 Class D-1 common shares issued in 2012 and 2013, and 56,689 Class A preferred shares, with the same reference years, for a cash consideration of $27,830.

Financial review – Unaudited

	2023	2022	2021	2020	2019
Operations *[in thousands of dollars]*					
Revenues	**$8,256,857**	$8,434,105	$7,536,369	$6,929,665	$6,355,401
Net financial expenses	**90,719**	84,030	35,734	53,796	47,629
Amortization (excluding transaction costs)	**160,267**	164,096	158,183	168,511	128,073
Earnings (loss) before patronage refunds, income taxes (recovery) and discontinued operations	**146,815**	(289,362)	42,839	211,124	69,231
Patronage refunds	**—**	—	—	29,200	17,600
Income taxes (recovery)	**29,804**	(666)	(11,138)	30,850	13,149
Net earnings (loss) attributable to members of the Cooperative	**101,938**	(278,379)	(4,292)	117,664	38,447
Operating earnings before interest, taxes, depreciation, and amortization (Operating EBITDA)	**361,647**	44,153	147,708	467,077	265,662
Financial position *[in thousands of dollars]*					
Working capital	**$239,309**	$579,177	$577,715	$639,904	$395,499
Property, plant and equipment, net carrying amount	**1,162,742**	1,358,174	1,464,378	1,567,259	1,215,381
Total assets	**3,750,518**	4,577,368	4,969,460	4,728,182	3,880,159
Preferred shares and equity of the Cooperative	**1,767,352**	1,733,516	2,099,983	2,032,586	1,780,586
Financial ratios					
Working capital ratio	**1.2**	1.4	1.4	1.6	1.3
Interest coverage*	**2.6**	(2.4)	2.2	4.9	2.5
Debt/equity ratio	**26:74**	41:59	35:65	38:62	33:67
Earnings (loss) before patronage refunds, income taxes (recovery) and discontinued operations*/revenues	**1.8%**	(3.4%)	0.5%	2.9%	1.0%
Reserve and contributed surplus/preferred shares and equity of the Cooperative	**34.3%**	33.1%	44.9%	42.4%	44.0%
Preferred shares and equity of the Cooperative/total assets	**47.1%**	37.9%	42.3%	43.0%	45.9%
Number of employees	**15,960**	15,930	15,850	16,150	15,360

* For the purposes of ratio calculations, non-controlling interests are included in earnings before patronage refunds and income taxes

Ferme Grolier
Finalist
Sollio Next Generation Award
2023-2024

Sollio Cooperative Group

Affiliated Cooperatives

Agiska Coopérative
Saint-Hyacinthe

Agro Co-operative Assoc Ltd
Charlottetown
(Île-du-Prince-Édouard)

Antigonish Farm & Garden Co-op
Antigonish
(Nouvelle-Écosse)

Atlantic Co-operative Country Stores Moncton
(Nouveau-Brunswick)

Avantis Coopérative
Sainte-Marie

La Coop Chambord
Chambord

Citadelle, coopérative de producteurs de sirop d'érable
Plessisville

Covris Coopérative
Baie-du-Fèbvre

La Coop Dupuy et Sainte-Jeanne d'Arc
Dupuy

Eastern Farmers Co-op Society
Mount Pearl (Terre-Neuve)

Fermes du Nord Coopérative
Mont-Tremblant

Filière porcine coopérative
Montréal

La Coop Gracefield
Gracefield

Magasin Co-op de Havre-aux-Maisons
Havre-aux-Maisons

Co-op Home & Farm Supply Fredericton
(Nouveau-Brunswick)

Kensington Co-operative Association Limited
Kensington
(Île-du-Prince-Édouard)

La Coop La Patrie
La Patrie

Société coopérative de Lamèque Ltée
Lamèque
(Nouveau-Brunswick)

Nutrinor coopérative
Saint-Bruno-Lac-Saint-Jean

Novago Coopérative
Joliette

O'Leary Farmers Co-op Assn.
O'Leary
(Île-du-Prince-Édouard)

Magasin CO-OP de Plessisville
Plessisville

Scotian Gold Co-operative Limited
Coldbrook
(Nouvelle-Écosse)

South Eastern Farmers Co-op
Moncton
(Nouveau-Brunswick)

La Coop Squatec
Squatec

La Coop Saint-Adrien-d'Irlande
Saint-Adrien-d'Irlande

La Fromagerie coopérative Saint-Albert inc.
Saint-Albert (Ontario)

La Coop Saint-Côme-Linière
Saint-Côme-Linière

La Coop Sainte-Justine
Sainte-Justine

La Coop Sainte-Marthe
Sainte-Marthe

Magasin CO-OP de Sainte-Perpétue
Sainte-Perpétue-de-L'Islet

La Coop St-Fabien
Saint-Fabien

La Coop Saint-Hubert
Saint-Hubert-de-Rivière-du-Loup

La Coop Saint-Méthode
Adstock

La Coop Saint-Pamphile
Saint-Pamphile

La Coop Saint-Patrice
Saint-Patrice-de-Beaurivage

Coopérative de Saint-Quentin ltée
Saint-Quentin
(Nouveau-Brunswick)

La Coop Saint-Ubald
Saint-Ubalde

Magasin CO-OP de Saint-Victor
Saint-Victor

Section des marchands indépendants BMR
Montréal

Section des producteurs de porc de l'ouest
Montréal

Sussex & Studholm Agricultural Society No. 21
Sussex
(Nouveau-Brunswick)

Uniag Coopérative
Napierville

Unoria Coopérative
Rimouski

VIVACO groupe coopératif
Victoriaville

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Coop de services agricoles Le Partage Lotbinière
Lotbinière

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Péribonka

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Saint-Fabien

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Saint-Cyprien

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Saint-Jean-de-Dieu

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Weedon

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Isle-Verte

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Saint-Anicet

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Saguenay

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Saint-Hubert

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Yamachiche

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Saint-Gervais

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La Durantaye

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Coaticook

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Leclercville

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Saint-Luc

Coopérative d'utilisation de machinerie agricole de St-Éloi
Saint-Éloi

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Deschaillons

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Saint-Adrien

Coopérative d'utilisation de machinerie agricole de St-Norbert
St-Norbert

Coopérative d'utilisation de machinerie agricole de Warwick
Warwick

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