



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



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.

Pascal HOULE, CPA
Chief Executive Officer

Montréal, January 16, 2024

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.

Alexandre ST-JACQUES BURKE, FRM
Chief Financial Officer

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



¹ CPA auditor, public accountancy permit no. A122471



A member firm of Ernst & Young Global Limited

Consolidated balance sheet

As at October 28, 2023 and October 29, 2022

	Notes	2023 \$	2022 [Restated - note 2] \$
<i>[in thousands of dollars]</i>			
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

<i>[in thousands of dollars]</i>	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

<i>[in thousands of dollars]</i>	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

<i>[in thousands of dollars]</i>	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:

- The Cooperative has guaranteed the obligations of the investee;
- The Cooperative is otherwise committed to provide further financial support to the investee; or
- 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:

- 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;
- The amount that could be realized by selling the asset at the consolidated balance sheet date;
- 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:

- 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
- 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:

- 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
- 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.

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		Net carrying amount \$
	Cost \$	Accumulated amortization \$	
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		Net carrying amount \$
	Cost \$	Accumulated amortization \$	
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.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

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)
	(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

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

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.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

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:

	Pension plans \$	Other post-retirement benefits \$	Total \$
2023			
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)

	Pension plans \$	Other post-retirement benefits \$	Total \$
2022			
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:

	Pension plans \$	Other post-retirement benefits \$	Total \$
2023			
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)

	Pension plans \$	Other post-retirement benefits \$	Total \$
2022			
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)

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

22) Employee future benefits

The cost of defined benefit pension plans is as follows:

	Pension plans \$	Other post-retirement benefits \$	Total \$
2023			
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.

	Pension plans \$	Other post-retirement benefits \$	Total \$
2022			
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 or after October 24, 2022. They carry an annual dividend, payable semiannually, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

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.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

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 – CRCO 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

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

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)

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

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.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

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.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

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

Notes to consolidated financial statements

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:

	2023 \$	2022 \$
Derivatives		
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.

Notes to consolidated financial statements

Years ended October 28, 2023 and October 29, 2022

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 <i>[in thousands of dollars]</i>					
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 <i>[in thousands of dollars]</i>					
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

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-Ubalde
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

Auxiliary Members

Coop de services agricoles Le Partage Lotbinière
Lotbinière

Coopérative des producteurs de pommes de terre de Péribonka-Ste-Marguerite-Marie
Péribonka

Coopérative d'utilisation de machinerie agricole des Basses-Laurentides
Mirabel

Coopérative d'utilisation de machinerie agricole de la Matapédia
Saint-Léon-le-Grand

Coopérative d'utilisation de machinerie agricole de la Rivière du Bic
Rimouski (Le Bic)

Coopérative d'utilisation de machinerie agricole de La Rocaille
Sainte-Hélène-
de-Kamouraska

Coopérative d'utilisation de machinerie agricole de Laurierville
Laurierville

Coopérative d'utilisation de machinerie agricole de l'Érable
Plessisville

Coopérative d'utilisation de machinerie agricole de l'Érablière
Saint-Félix-de-Valois

Coopérative d'utilisation de machinerie agricole de l'Or Blanc
Saint-Georges-de-Windsor

Coopérative d'utilisation de machinerie agricole de Saint-Fabien
Saint-Fabien

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

Coopérative d'utilisation de machinerie agricole de Ste-Croix
Saint-Édouard-
de-Lotbinière

Coopérative d'utilisation de machinerie agricole de St-Jean-de-Dieu
Saint-Jean-de-Dieu

Coopérative d'utilisation de machinerie agricole de Weedon
Weedon

Coopérative d'utilisation de machinerie agricole des Rivières
Sainte-Anne-de-la-Pérade

Coopérative d'utilisation de machinerie agricole du Coteau
Isle-Verte

Coopérative d'utilisation de machinerie agricole du Haut-Saint-Laurent
Saint-Anicet

Coopérative d'utilisation de machinerie agricole du Saguenay
Saguenay

Coopérative d'utilisation de machinerie agricole de l'Érable
Plessisville

Coopérative d'utilisation de machinerie agricole de la Petite-Nation et de la Lièvre
Alma

Coopérative d'utilisation de machinerie agricole Franco-Agri
Sainte-Anne-de-Prescott
(Ontario)

Coopérative d'utilisation de machinerie agricole Jeannoise
Saint-Gédéon

Coopérative d'utilisation de machinerie agricole l'Achigan
L'Épiphanie

Coopérative d'utilisation de machinerie agricole Lamy
Saint-Hubert

Coopérative d'utilisation de machinerie agricole Les Ressources
Yamachiche

Coopérative d'utilisation de machinerie agricole Petite Montagne
Saint-Joseph-de-Beauce

Coopérative d'utilisation de machinerie agricole Porte de la Beauce
Saint-Isidore

Coopérative d'utilisation de machinerie agricole Tournesol
Sainte-Marie

Coopérative d'utilisation de machinerie agricole de Bellechasse
Saint-Gervais

Coopérative d'utilisation de machinerie agricole de La Durantaye
La Durantaye

Coopérative d'utilisation de matériel agricole de la Montagne du diable
Mont-Saint-Michel

Coopérative d'utilisation de matériel agricole de la Petite-Nation et de la Lièvre
Plaisance

Coopérative d'utilisation de matériel agricole de la région de l'Estrie
Coaticook

Coopérative d'utilisation de machinerie agricole de Leclercville
Leclercville

Coopérative d'utilisation de machinerie agricole de Matane
Saint-Luc

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

Coopérative d'utilisation de machinerie agricole de St-Sylvere
Deschailions

Coopérative d'utilisation de machinerie agricole des Aulnaies
Saint-Jean-Port-Joli

Coopérative d'utilisation de machinerie agricole du Haut du Lac
Normandin

Coopérative d'utilisation de machinerie agricole Duncan
Saint-Nazaire-d'Acton

Coopérative d'utilisation de matériel agricole Kamouraska-Ouest
Rivière-Ouelle

Coopérative d'utilisation de machinerie agricole l'Oie Blanche
Saint-Pierre

Coopérative d'utilisation de matériel agricole de Rouville
Carignan

Coopérative d'utilisation de matériel agricole de la Horton
Saint-Michel-du-Squatec

Coopérative d'utilisation de matériel agricole Les Rameaux de la Baie-des-Chaleurs
New Richmond

Coopérative d'utilisation de machinerie agricole des Hauts-reliefs
Saint-Adrien

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

Coopérative d'utilisation de machinerie agricole de Warwick
Warwick