

PENINSULA CONSUMER SERVICES CO-OPERATIVE

Consolidated Financial Statements

For the Year Ended March 30, 2024

Peninsula Consumer Services Co-operative

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For the Year Ended March 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Members of Peninsula Consumer Services Co-operative

Opinion

We have audited the consolidated financial statements of Peninsula Consumer Services Co-operative (the "Co-operative") that comprise the consolidated balance sheet as at March 30, 2024, and the consolidated statements of income, members' equity, and cash flows for the year then ended, and 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 Peninsula Consumer Services Co-operative as at March 30, 2024, and its consolidated results of operations and its 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Co-operative in accordance with the ethical requirements that are relevant to our audit of the non-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.

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

Management is responsible for the preparation and fair presentation of the non-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.



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INDEPENDENT AUDITORS' REPORT (continued)

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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INDEPENDENT AUDITORS' REPORT (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 Co-operative and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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INDEPENDENT AUDITORS' REPORT (continued)

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.

Baker Tilly Victoria Ltd.

CHARTERED PROFESSIONAL ACCOUNTANTS

Victoria, BC

June 20, 2024

Peninsula Consumer Services Co-operative

Consolidated Balance Sheet

As at March 30, 2024

	2024	2023
	\$	\$
Assets		
Current Assets -		
Cash	1,092,233	1,080,235
Short-term Investments (note 3)	18,519,796	37,598,444
Accounts Receivable (note 4)		
Customer	3,852,632	4,299,770
Other	3,520,531	2,495,921
Inventory	8,417,628	5,606,173
Prepaid expenses	441,510	408,210
	35,844,330	51,488,753
Investments (note 5)	42,265,950	40,589,631
Deferred Dealer Improvements (note 6)	23,191	50,675
Property, Plant and Equipment (note 7)	50,294,624	51,383,225
Goodwill and Intangible Assets	38,407,412	6,822,473
	130,991,177	98,846,004
	166,835,507	150,334,757

APPROVED ON BEHALF OF THE BOARD



Director



Director

Peninsula Consumer Services Co-operative

Consolidated Balance Sheet

As at March 30, 2024

	2024	2023
	\$	\$
Liabilities		
Current Liabilities -		
Accounts payable (note 8)	25,938,998	26,293,856
Government remittances payable	414,368	209,063
Line of credit (note 9)	10,000,000	-
Member loans (note 10)	50,888	51,030
Current portion of long-term debt (note 11)	284,013	275,957
	36,688,267	26,829,906
Long-term Debt (note 11)	5,622,738	5,907,212
	42,311,005	32,737,118
Members' Equity		
Share Capital (note 12)	19,628,714	18,922,085
Retained Earnings	104,895,788	98,675,554
	124,524,502	117,597,639
	166,835,507	150,334,757

Commitments (note 16)

Subsequent Event (note 18)

Peninsula Consumer Services Co-operative

Consolidated Statement of Income

For the Year Ended March 30, 2024

	2024	2023
	\$	\$
Sales	293,549,620	301,970,545
Cost of Goods Sold	259,267,992	271,151,803
Gross Profit	34,281,628	30,818,742
Other Income	578,026	513,923
	34,859,654	31,332,665
Expenses		
Operating and Administrative	31,380,754	27,556,099
Income before Patronage Rebates and Other Income (Expenses)	3,478,900	3,776,566
FCL and VICSCA Patronage Refunds (note 5)	8,381,595	7,336,249
FCL Loyalty Program	5,350,772	5,559,748
Other Income (Expenses):		
Interest income (note 13)	899,675	1,269,941
Profit sharing	(1,435,710)	(1,271,779)
Gain (loss) on disposal of property, plant and equipment	4,008	(9,794)
Community projects and donations	(600,000)	(600,000)
Income before Income Taxes	16,079,240	16,060,931
Provision for Income Taxes (note 14)	2,044,445	2,183,568
Net Income for the Year	14,034,795	13,877,363

Peninsula Consumer Services Co-operative

Consolidated Statement of Members' Equity

For the Year Ended March 30, 2024

	2024	2023
	\$	\$
Share Capital		
Balance - Beginning of Year	18,922,085	18,125,771
Cash from new members and share payments	111,125	107,300
Previous year's refunds returned to shares	600,913	409,729
Withdrawals	(49,126)	(47,229)
	662,912	469,800
Previous year's profits allocated to shares	7,814,561	7,708,384
Share redemption	(1,709,760)	(1,582,659)
General cash repayment to members	(6,061,084)	(5,799,211)
	43,717	326,514
Increase in share capital	706,629	796,314
Balance - End of Year	19,628,714	18,922,085
Retained Earnings		
Balance - Beginning of Year	98,675,554	92,506,575
Previous year's profits allocated to shares	(7,814,561)	(7,708,384)
Net income for the year	14,034,795	13,877,363
	6,220,234	6,168,979
Balance - End of Year	104,895,788	98,675,554
Members' Equity - End of Year	124,524,502	117,597,639

Peninsula Consumer Services Co-operative

Consolidated Statement of Cash Flows

For the Year Ended March 30, 2024

	2024	2023
	\$	\$
Cash Provided from (Used for):		
Operating Activities		
Net income for the year	14,034,795	13,877,363
Items not affecting cash -		
Amortization	3,667,452	3,540,240
Deferred dealer improvements	27,484	34,820
(Gain) loss on disposal of property, plant and equipment	(4,008)	9,794
	17,725,723	17,462,217
Changes in non-cash working capital balances related to operations	(3,571,921)	(335,747)
	14,153,802	17,126,470
Investing Activities		
Decrease (increase) in short-term investments	19,078,648	(5,437,116)
Proceeds from sale of property, plant and equipment	75,576	17,000
Purchase of property, plant and equipment	(2,510,129)	(2,724,368)
Purchase of goodwill and intangible assets	(31,725,230)	-
Proceeds from return of credit union investment	-	1,680
Repayment of deferred dealer improvements	-	14,417
Patronage refunds invested in shares of FCL and VICSCA	(1,676,319)	(1,467,250)
	(16,757,454)	(9,595,637)
Financing Activities		
Proceeds from line of credit	10,000,000	-
Repayment of long-term debt	(276,418)	(269,489)
Previous years' rebates returned to shares	600,913	409,729
Cash from new members and share payments	111,125	107,300
Redemption of shares	(1,758,886)	(1,629,888)
Patronage refunds paid in cash to members	(6,061,084)	(5,799,211)
	2,615,650	(7,181,559)
Net Increase in Cash and Cash Equivalents	11,998	349,274
Cash and Cash Equivalents - Beginning of Year	1,080,235	730,961
Cash and Cash Equivalents - End of Year	1,092,233	1,080,235

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

1 Incorporation and Operations

Peninsula Consumer Services Co-operative (the "Co-operative") was incorporated under the laws of the Province of British Columbia. The Co-operative operates gas bars with convenience stores, commercial cardlocks, grocery stores, liquor stores, bulk fuel delivery service and commercial rentals on Vancouver Island. The Co-operative has approximately 120,625 members as at March 30, 2024.

2 Significant Accounting Policies

These consolidated financial statements were prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

Fiscal Year

The Co-operative's fiscal year generally ends on the Saturday closest to March 31st. The 2024 fiscal period is 52 weeks and ended on March 30, 2024, while the 2023 fiscal period was 52 weeks and ended on April 1, 2023. All comparative figures are therefore as of April 1, 2023.

Basis of Consolidation

These consolidated financial statements include the accounts of the co-operative and its wholly owned subsidiaries, Csinos Holdings Ltd., Seaboard Industries Ltd. and Save On Gas Ltd.

Investment in Federated Co-operatives Limited

The Co-operative, along with other co-operatives in Western Canada, owns Federated Co-operatives Limited ("FCL"). This investment is accounted for using the cost method as it consists of membership shares which have a fixed value.

Investment in Vancouver Island Central Services Co-operative Association

The Co-operative, along with other co-operatives on Vancouver Island, owns Vancouver Island Central Services Co-operative Association ("VICSCA"). This investment is accounted for using the cost method as it consists of membership shares which have a fixed value.

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

2 Significant Accounting Policies (continued)

Inventories

Inventories are carried at the lower of cost and net realizable value. Inventories which are taken at retail values are discounted to cost by applying the applicable discount rate for that commodity. Cost is calculated using the first in, first out formula for petroleum, grocery, and liquor store inventories. The cost of inventories recognized as an expense during the year ended March 30, 2024 was \$259,267,992 (2023 - \$271,151,803).

Goodwill and Intangible Assets

The excess of cost of assets acquired over the fair values of the net assets acquired is recorded as goodwill and intangible assets and is not subject to amortization. This goodwill and intangible assets will be tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the reporting unit to which the goodwill and intangible assets are assigned may exceed the fair value of the reporting unit.

Amortization

Amortization is charged against income using the declining balance and straight-line methods in amounts sufficient to amortize the cost of property, plant and equipment over their estimated useful lives at the following annual rates:

Buildings	4%, 5% and 8%
Computer hardware	33%
Computer software	20% and 100%
Furniture and equipment	20%
Tanks	10%
Vehicles	30%

Amortization of leasehold improvements is being calculated using the straight-line method over the remaining term of the lease.

Property, plant and equipment acquired during the year or assets under construction that are not used in operations, are not amortized until put into operation.

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

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

2 Significant Accounting Policies (continued)

Income Taxes

The Co-operative has elected to apply the taxes payable method of accounting. The taxes payable and provision for income taxes are based on the corporate income tax return filed. There is no adjustment for incomes related to temporary differences and no recognition of the benefit of income tax losses carried forward.

Financial Instruments

Measurement of financial instruments

The Co-operative initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Co-operative subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short-term investments, accounts receivable, and investments. The fair values of all financial assets are the same as their carrying values due to their short-term nature.

Financial liabilities measured at amortized cost include accounts payable including accrued liabilities, line of credit, member loans, and long-term debt. The fair values of all financial liabilities are the same as their carrying values due to their short-term nature.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Revenue Recognition

Retail sales are recognized as revenue at the point of sale. Home heating and commercial sales are recognized upon delivery of products to customers. Other income is recognized when earned and ultimate collection is reasonably assured at the time of performance.

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

2 Significant Accounting Policies (continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Certain amounts recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Co-operative's best information and judgment. The amounts recorded for amortization of property, plant and equipment and accrued liabilities depend on estimates of economic lives and future cash flow. Such amounts are not expected to change materially in the near future.

3 Short-term Investments

	2024	2023
	\$	\$
Federated Co-operatives Limited -		
Short-term cashable deposit; bearing interest at the bank prime rate less 1.10%; recorded at amortized cost	18,519,796	37,598,444

4 Accounts Receivable

Customer accounts receivable are shown net of an allowance for impairment of \$409,534 (2023 - \$426,894).

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

5 Investments

	2024	2023
	\$	\$
Federated Co-operatives Limited	39,663,655	38,067,860
Vancouver Island Central Services Co-operative Association	2,602,195	2,521,671
Other organizations	100	100
	42,265,950	40,589,631

Investment in Federated Co-operatives Limited

During FCL's year ended October 31, 2023 the Co-operative purchased goods eligible for rebate amounting to \$188,051,290 (2023 - \$198,554,099) which resulted in a patronage allocation of shares from FCL of \$7,978,973 in the current year (2023 - \$7,009,464). During the year FCL redeemed shares totalling \$6,383,178 for cash (2023 - \$5,607,571).

The Co-operative has a loyalty program agreement with Federated Co-operatives Limited. The program took effect on November 1, 2019 and had a twelve-month term; it was automatically renewed for twelve-month terms since the end of the first term. Under the agreement, the Co-operative has committed to purchase at least 90% of its total goods from FCL. If the eligibility requirements are met, FCL will pay the Co-operative, on a quarterly basis, a loyalty payment. During the fiscal year the Co-operative earned \$5,350,772 under the loyalty program (2023 - \$5,559,748).

Investment in Vancouver Island Central Services Co-operative Association

During VICSCA's year ended October 31, 2023, the Co-operative purchased goods eligible for rebate amounting to \$12,497,194 (2023 - \$10,796,614) which resulted in a patronage allocation of shares from VICSCA of \$402,622 in the current year (2023 - \$326,785). During the year VICSCA redeemed shares totalling \$322,098 for cash (2023 - \$261,428).

Investment in Seaboard Industries Ltd.

The Co-operative owns 100% of the shares of Csinos Holdings Ltd. which owns 100% of the outstanding shares of Seaboard Industries Ltd.

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

6 Deferred Dealer Improvements

Under the terms of dealer sales contracts, the Co-operative is required to contribute a portion of the initial costs for real property improvements at the dealer's premises. The terms of the dealer sales contract is generally 5 years. In order to match deferred costs to anticipated future sales revenues, these costs are amortized or repaid on a straight-line basis in some instances and on a per-litre basis in others, over the term of the contract. For the year ended March 30, 2024, this charge amounted to \$27,484 (2023 - \$34,820).

7 Property, Plant and Equipment

	Cost	Accumulated amortization	2024 Net	2023 Net
	\$	\$	\$	\$
Land	21,861,934	-	21,861,934	21,861,934
Buildings	35,567,826	17,372,979	18,194,847	19,507,561
Computer hardware	1,168,725	971,443	197,282	104,379
Computer software	1,289,161	558,901	730,260	-
Furniture and equipment	11,833,827	8,915,235	2,918,592	2,752,189
Leasehold improvements	2,611,408	1,401,002	1,210,406	361,702
Tanks	12,932,489	7,963,141	4,969,348	4,862,068
Vehicles	1,186,264	1,075,898	110,366	145,110
Construction in progress	101,589	-	101,589	1,788,282
	88,553,223	38,258,599	50,294,624	51,383,225

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

8 Accounts Payable

The Co-operative will have certain asset retirement obligations for potential environmental remediation costs at gas bar locations. As at March 30, 2024, the estimated obligations included in accounts payable are \$750,000 (2023 - \$nil).

During the year, no payment was made to settle the asset retirement obligations. None of the assets are legally restricted for the purposes of settling the obligations.

Asset retirement obligations are based on the Co-operative's past experience and the expected timing of the required remediation. To determine the initial liability recognized, the estimated future cash flows related to the remediation costs are discounted using the current market risk-free rate of interest.

The Co-operative owns a number of gas bar properties and delivers fuel to dealer properties under sales contracts. These properties may require site remediation in the event of a change in use of the land. Future site remediation costs that are not determinable are not accrued until they can be reasonably estimated. The Co-operative has policies and operational practices that minimize its exposure to future site remediation costs.

9 Credit Facilities

Island Savings Credit Union has made available to the Co-operative an operating loan with a credit limit of \$1,000,000, bearing interest at Island Savings Credit Union's prime rate plus 0.75% per annum. This operating loan is secured by land and building. At year end, no funds had been drawn on this facility.

Royal Bank of Canada has made available to the Co-operative an operating loan and a credit facility with a credit limit of \$10,000,000, bearing interest at Royal Bank of Canada's prime rate per annum. This operating loan is secured by land and building. At year end, \$10,000,000 had been drawn on this operating loan.

Federated Co-operatives Limited (FCL) has made available to the Co-operative revolving line of credit with a limit of \$8,000,000, bearing interest at prime rate per annum, as determined by FCL's primary lending institution. This credit facility is unsecured. At year end, no funds were drawn on this facility.

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

10 Member Loans

On April 1, 2016 the Co-operative merged with Comox District Consumers' Co-operative. Comox District Consumers' Co-operative had recognized loans outstanding from its members. Upon amalgamation, the member loans were recognized by Peninsula Consumer Services Co-operative.

	2024	2023
	\$	\$
Member loan certificates, due on demand when members request repayment. These certificates bore interest until November 1984.	43,195	43,325
Accrued interest on member loan certificates, arising before November 1984.	7,693	7,705
	50,888	51,030

11 Long-term Debt

	2024	2023
	\$	\$
Royal Bank of Canada -		
Term loan, 2.72% interest rate payable monthly. Fixed monthly payments include both principal and interest. Matures November 12, 2025.	5,906,751	6,183,169
Less: Current portion	284,013	275,957
	5,622,738	5,907,212

The term loan is secured with a corporate guarantee and a charge on land and buildings owned by Seaboard Industries Ltd.

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

11 Long-term Debt (continue)

Estimated payments required in each of the next two years:

	\$
Year ending March 31, 2025	284,013
2026	5,622,738
	<u>5,906,751</u>

12 Share Capital

	2024	2023
	\$	\$
Membership Shares -		
Unlimited number of membership shares with a par value of \$1 each; redeemable at the discretion of the Board of Directors	19,628,714	18,922,085

13 Interest Income (Expense)

	2024	2023
	\$	\$
Interest income on each short-term investment	1,468,902	1,441,896
Interest expense on short-term debt	(404,390)	(139)
Interest expense on long-term debt	(164,837)	(171,816)
	899,675	1,269,941

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

14 Income Taxes

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

	2024	2023
	\$	\$
Income before income taxes	16,079,240	16,060,931
Expected income tax expense at the combined tax rate of 27.00% (2023 – 27.00%) net of the general rate reduction	4,341,395	4,336,451
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expenses	199,236	27,457
Patronage allocation to members	(2,103,343)	(2,325,193)
Capital cost allowance in excess of amortization	(392,843)	-
Amortization in excess of capital cost allowance	-	144,853
Income tax expense	2,044,445	2,183,568

15 Financial Instruments

The Co-operative's financial instruments consist of cash, short term investments, accounts receivable, investments, accounts payable, accrued liabilities, line of credit, member loans, and long term debt. The fair values of all financial instruments are the same as their carrying values due to their short term nature.

Risks and Concentrations

The Co-operative is exposed to various risks through its financial instruments. The following analysis provides a measure of the Co-operative's risk exposure and concentrations at the consolidated balance sheet date.

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

15 Financial Instruments (continued)

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Co-operative's main credit risks relate to its accounts receivable. The Co-operative provides credit to its customers in the normal course of its operations, however, the Co-operative has a large number of customers, which minimizes the concentration of credit risk.

(b) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Co-operative is exposed to this risk in respect of its current liabilities.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Co-operative is not subject to currency risk as its assets and liabilities are denominated wholly in Canadian dollars.

Interest Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Although the Co-operative has a significant interest bearing term loan and line of credit, the Co-operative has sufficient funds to settle the debt. Consequently, the Co-operative is not exposed to significant interest rate risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Co-operative is exposed to other price risk by way of fluctuating petroleum prices.

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

16 Commitments

The Co-operative's total obligations under operating leases for occupied premises are as follows:

	\$
Year ending March 31, 2024	1,284,093
2025	1,125,741
2026	1,104,145
2027	720,622
2028	577,018
	<u>4,811,619</u>

The Co-operative is required to pay additional rents based on sales volume and the Co-operative's share of property costs. Estimates of these future additional rents have not been determined.

17 Business Acquisition

In August 2023, the Co-operative entered into an asset purchase agreement to acquire seven liquor stores located in Greater Victoria and Nanaimo, BC owned and operated by Esquimalt Hospitality Ltd., Oxy Liquor Express Ltd., Six Mile Liquor Express Ltd., Tillicum Hospitality Ltd., Wilkinson Liquor Express Ltd., Liquor Express On Yates Ltd., Blue Coyote Hospitality Ltd., and Bleue Coyote Holdings Ltd. The assets acquired included naming rights for "Liquor Express", goodwill, liquor licences, leases, and tangible assets such as furniture, fixtures equipment, and leasehold improvements. Inventory was purchased at vendors' average cost, over and above the asset purchase price. On September 12, 2023, the acquisition completed and the seven liquor stores came under the Co-operative's ownership. The Co-operative paid cash consideration for all assets, funding the purchase from cash on hand and its line of credit held with the Royal Bank of Canada.

	\$
Goodwill	26,469,980
Liquor licences	5,250,000
Tangible assets	280,020
Purchase price	<u>32,000,000</u>

Peninsula Consumer Services Co-operative

Notes to the Consolidated Financial Statements

For the Year Ended March 30, 2024

18 Subsequent Event

On April 16, 2024, the Co-operative purchased the assets of a liquor store, operated by Pacific Liquor Merchants Corp. at 7180 West Saanich, Brentwood Bay, BC. The assets acquired include goodwill, liquor licence, lease, leasehold improvements, furniture and fixtures. The Co-operative paid cash consideration for these assets.

	\$
Goodwill	623,595
Liquor licence	900,000
Tangible assets	76,405
Purchase price	1,600,000

19 Comparative Financial Statements

Certain comparative figures have been reclassified to be consistent with the presentation adopted in the current year.

Peninsula Consumer Services Co-operative

Additional Comments of Auditors

For the Year Ended March 30, 2024

Schedule of Statistical Information

The accompanying Schedule of Statistical Information is presented as supplementary information only. In this respect, it does not form part of the consolidated financial statements of the Co-operative. The information in this schedule has been subject to review procedures only to the extent necessary to report on the consolidated financial statements, and hence is excluded from our report dated June 20, 2024.

RECORD OF SALES AND SAVINGS

(Prepared without audit - see Additional Comments of Auditors)

	Sales	Savings	
	\$	\$	%
Total for the nine years ending April 30, 1986	35,785,292	122,314	0.3
Year ending April 30			
1987	7,463,401	194,464	2.6
1988	10,289,680	331,502	3.2
1989	11,847,069	616,650	5.2
1990	14,382,307	819,585	5.7
1991	18,158,573	1,052,079	5.8
1992	22,016,321	1,139,855	5.2
1993	25,397,790	1,434,594	5.6
1994	28,122,622	1,778,927	6.3
1995	31,832,965	2,266,887	7.1
1996	34,866,290	2,281,827	6.5
1997 (note)	43,998,049	1,961,147	4.5
Period ending March 31, 1998 (Note)	38,381,498	2,305,350	6.0
Year ending March 31:			
1999	43,441,886	2,125,746	4.9
2000	55,242,803	2,693,201	4.9
2001	63,006,622	2,894,129	4.6
2002	61,450,817	3,289,777	5.4
2003	66,732,847	2,114,079	3.2
2004	74,803,122	2,439,433	3.3
2005	84,059,115	3,305,268	3.9
2006	97,960,851	4,278,135	4.4
2007	109,150,279	6,821,180	6.2
2008	120,274,595	9,315,511	7.7
2009	137,696,445	10,582,629	7.7
2010	134,495,332	6,079,320	4.5
2011	152,657,009	6,664,650	4.4

Peninsula Consumer Services Co-operative

Additional Comments of Auditors

For the Year Ended March 30, 2024

Schedule of Statistical Information (continued)

	Sales	Savings	
	\$	\$	%
2012	166,509,645	10,169,281	6.1
2013	169,861,510	8,644,639	5.1
2014	184,287,371	9,080,989	4.9
2015	178,765,555	6,913,307	3.9
2016	181,202,751	6,618,492	3.7
2017	195,601,769	13,135,319	6.7
2018	219,428,515	9,251,234	4.2
2019	245,417,705	18,517,583	7.5
2020	237,131,171	15,601,578	6.6
2021	192,671,277	12,129,701	6.3
2022	263,255,527	13,536,834	5.1
2023	301,970,545	13,877,363	4.6
2024	293,549,620	14,034,795	4.8

Note – The sales for 1997 are not comparable to previous years in that they are based on consolidating the accounts of Save On Gas Ltd. for the first time, and include seven months of non-consolidated results. As well, the sales for 1998 include eleven months of results, and thus are not directly comparable to other years.