Pembina Consumers Co-op (2000) Ltd.
Financial Report
Annual General Meeting
2022

Good evening everyone. My name is Delia Jackson, Finance & Risk Manager for Pembina Co-op. I am pleased to be able to present to you the Auditor's Report and Financial Statements for the fiscal year ending January 31, 2022. Your registration package should contain the Annual Report for the Co-op which I will reference throughout the presentation.

On the first page of the Annual Report, you will find a document titled "Management's Responsibility". This letter simply outlines the role that both Management and the Board of Directors has in terms of financial reporting and preparation of the financial statements.

The following page is the Auditor's Report. The auditor's report details what was audited, it defines both Management's and the Auditor's responsibility, and finally, it gives us the Auditor's opinion on the financial statements. If you look to the second paragraph of the page, the Auditor states:
"In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at January 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises."
And the report is signed by MNP, LLP, Chartered Professional Accountants.

Next, you will find the balance sheet. The balance sheet lists the assets, liabilities, and equity for our Co-op as of the end of the fiscal year. The assets, or what the Co-op owns, are as follows:

- Current assets, including items such as cash, receivables, and inventories total $87.8 million
- Investments, the majority of which are Pembina's shares in FCL, total $20.6 million
- Capital assets, at their depreciated value, total $20.2 million
- As of January 31, total assets were $128.7 million

The liabilities, or what the Co-op owes, are as follows:

- Current liabilities, the majority of which are customer prepaid accounts and Trade Accounts Payable, total $47.8 million
- Member share capital amounts to $35.0 million.
- Reserves & Retained Savings total $45.9 million
- At year-end, the Co-op had no long-term debt
- As of January 31, total liabilities, share capital and reserves total $128.7 million

You will also note that the Balance Sheet has been approved by the Board of Directors as indicated by their signatures.

On the next page, you will find the Statement of Net Savings & Statement of Retained Savings. Total sales for the year were $172.3 million, compared to $158.8 million the previous year.

The total cost of goods sold for the year was $148.5 million, leaving approximately $23.8 million or 13.8% of sales in gross margin profit. In other terms, for every sales dollar, about 86¢ went to pay our suppliers while the remaining 14¢ was used to pay operating expenses, equity repayments and capital expenditures.

Total expenses for the year were $16.8 million. After deducting the expenses from the gross margin dollars, we are left with a local savings from operations of $6.9 million or 4.1% of sales.

To the local savings, we add the FCL loyalty payment and the patronage refund. The FCL loyalty & patronage program requires that our Co-op purchase at least 90% of total goods from FCL which resulted in a Loyalty payment of $1.6 million. This is based on 4 cents per litre on our fuel purchases. Additional information on this program can be found in the Notes to the Financial statements on page 8. During the year, our Co-op purchased goods in excess of $143.9 million from FCL resulting in a patronage refund of $5.1 million. Additional information of the patronage refund can be found in the Notes to the Financial statements on page 7.

After deducting the estimated provision for income tax of approximately $1.7 million, we are left with net savings of $11,922,377 to be distributed to Retained Savings, General Reserve, and as a Patronage Allocation to the members.

Turning to page 3, you will find the Statement of Cash Flows. This report breaks down how the Co-op's cash was used during the year. Through a combination of Operating, Investing, and Financing activities, we had an increase in cash of $8,458,719 for the year leaving us an ending balance of cash & cash equivalents of $28.7 million.

The remaining pages, pages #4 through #14 contain notes to the financial statements that give a further explanation and more in-depth detail to some of the items shown in the financial statements that were just presented. For example:

- Pages 4 through 6 outline accounting policies used by the Co-op
- Pages 6 & 7 discuss Financial Instruments and Risk management
- Pages 7 has some information on our relationship with FCL
- Page 8 provides details about Purchase Commitments and Customer A/R
- Page 9 has information about Inventories, Prepaid suppliers, Long Term Receivable, and Assets under Capital Lease.
- Page 10 provides information on our and Property, Plant and Equipment, our Line of Credit, and Accounts Payable.
- Page 11 provides details on Bank Debt and Share Capital.
- Page 12 provides some information on Reserves a& Retained Savings, sales, and interest.
- Page 13 provides information on the pension plan, income tax, and economic conditions.
- Page 14 covers Subsequent events.
- And lastly, on page 15, you will find an interesting statistical report showing the Co-op's accumulated sales and savings from the date of incorporation.

In conclusion, this past year was a very successful year for Pembina Co-op. Going forward, we must continue to be diligent in managing our operations so that members can continue to enjoy equity and cash back, as it is you, the members, that make our Co-op what it is today. Your loyal support and patronage of the Co-op's goods and services over the years has been and continues to be the foundation for our success.

Delia Jackson, CPA
Finance & Risk Manager

ANNUAL REPORT 2021

Pembina Consumers Co-op (2000) Ltd.

Management's Responsibility

To the Members of Pembina Consumers Co-op (2000) Ltd.:

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

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

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

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

April 28, 2022

General Manager

To the Members of Pembina Consumers Co-op (2000) Ltd.:

Opinion

We have audited the financial statements of Pembina Consumers Co-op (2000) Ltd. (the "Co-operative"), which comprise the balance sheet as at January 31, 2022, and the statements of savings, retained savings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at January 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Winnipeg, Manitoba

MNP LLP

April 28, 2022

Chartered Professional Accountants

Pembina Consumers Co-op (2000) Ltd.
Balance Sheet
As at January 31, 2022

	2022	2021
Current assets		
Cash and cash equivalents	$ 4,483,213	$ 3,296,905
FCL special deposit (Note 4(a))	24,247,650	16,975,239
Accounts receivable - Customer (Note 5)	5,212,022	4,892,789
- Other	340,275	394,690
Income taxes recoverable	-	333,359
Inventories (Note 6)	49,244,206	44,244,669
Prepaid agriculture suppliers (Note 7)	3,852,846	3,020,294
Prepaid expenses	313,232	302,103
Current portion long-term receivable (Note 8)	145,422	-
	87,838,866	73,460,048
Long-term receivable (Note 8)	37,415	-
Investments		
Federated Co-operatives Limited (Note 4(b))	20,594,264	19,582,327
Other organizations	13,026	12,651
Assets under capital lease (Note 9)	2,637	3,296
Property, plant and equipment (Note 10)	20,180,230	19,681,109
Total assets	**$ 128,666,438**	**$ 112,739,431**
Current liabilities		
Accounts payable and trust liabilities (Note 12)	$ 21,624,902	$ 24,057,735
Customer prepaid accounts	25,963,150	15,889,547
Income taxes payable	243,279	-
Total liabilities	47,831,331	39,947,282
Members' equity		
Share capital (Note 14)	34,978,591	32,049,389
Reserves and retained savings (Note 15)	45,856,516	40,742,760
	80,835,107	72,792,149
Total liabilities and members' equity	**$ 128,666,438**	**$ 112,739,431**

Subsequent events (Note 21)

Approved on behalf of the Board of Directors

Director

Ernest Fraser.
Director

The accompanying notes are an integral part of these financial statements

Pembina Consumers Co-op (2000) Ltd.
Statement of Net Savings and Statement of Retained Savings
For the Year Ended January 31, 2022

	2022	%	2021	%
Sales (Note 16)	$ 172,294,556	100.0	$ 158,776,971	100.0
Cost of goods sold	148,540,735	86.2	139,217,471	87.7
Gross margin	23,753,821	13.8	19,559,500	12.3
Expenses				
Operating and administration	17,299,300	10.0	16,007,961	10.1
Net interest (Note 17)	(491,263)	(0.3)	(366,474)	(0.2)
	16,808,037	9.7	15,641,487	9.9
Savings from operations	6,945,784	4.1	3,918,013	2.4
FCL loyalty program (Note 4(d)(iii))	1,592,692	0.9	1,702,830	1.1
Patronage refunds	5,061,298	2.9	2,780,831	1.8
Savings before income taxes	13,599,774	7.9	8,401,674	5.3
Income tax expense (Note 19)	1,677,397	1.0	677,925	0.4
Net savings	**$ 11,922,377**	6.9	**$ 7,723,749**	4.9

	2022	2021
Retained savings, beginning of year	**$ 50,000**	**$ 50,000**
Net savings	11,922,377	7,723,749
Transfer to special reserve (Note 15)	(3,754,104)	(2,534,842)
Transfer to general reserve (Note 15)	(1,359,978)	(840,167)
Patronage allocation to members (Note 14)	(6,808,295)	(4,348,740)
Retained savings, end of year (Note 15)	**$ 50,000**	**$ 50,000**

The accompanying notes are an integral part of these financial statements

Pembina Consumers Co-op (2000) Ltd.
Statement of Cash Flows
For the Year Ended January 31, 2022

	2022	2021
Operating activities		
Net savings	$ 11,922,377	$ 7,723,749
Adjustments for:		
Depreciation	2,530,127	2,353,182
FCL patronage refund	(5,059,687)	(2,778,765)
Gain on the disposal of property, plant and equipment	(165,006)	(223,838)
Changes in non-cash operating working capital:		
Accounts receivable	(264,818)	419,419
Income taxes	576,638	(207,615)
Inventories	(4,999,537)	559,792
Prepaid agriculture suppliers	(832,552)	328,719
Prepaid expenses	(11,129)	(6,793)
Long-term receivables	(182,837)	1,000
Accounts payable and trust liabilities	(2,432,833)	1,455,972
Customer prepaid accounts	10,073,603	(2,544,183)
Cash provided by operating activities	11,154,346	7,080,639
Investing activities		
Redemption of FCL shares	4,047,750	2,634,160
Additions to property, plant and equipment	(3,055,997)	(1,266,401)
Proceeds from the disposal of property, plant and equipment	192,414	319,104
Investment in other organization	(375)	(221)
Cash provided by investing activities	1,183,792	1,686,642
Financing activities		
Share capital issued	7,010	6,820
GST on allocation	79,957	67,035
Redemption of share capital	(3,966,386)	(3,571,893)
Cash used for financing activities	(3,879,419)	(3,498,038)
Net increase in cash and cash equivalents	8,458,719	5,269,243
Cash and cash equivalents, beginning of year	20,272,144	15,002,901
Cash and cash equivalents, end of year	**$ 28,730,863**	**$ 20,272,144**
Cash and cash equivalents are comprised of:		
Cash and cash equivalents	$ 4,483,213	$ 3,296,905
FCL special deposit	24,247,650	16,975,239
	$ 28,730,863	**$ 20,272,144**

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Pembina Consumers Co-op (2000) Ltd. ("the Co-operative") was incorporated under the Cooperatives Act of Manitoba on February 1, 2001. The primary business of the Co-operative is operating retail agricultural, food, and petroleum outlets in St Leon, Manitoba and area.

2. Significant accounting policies

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

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

(a) Definition of financial year

The Co-operative's financial year ends on the Saturday closest to January 31.

(b) Cash and cash equivalents

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

(c) Inventories

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

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

(d) Investments

The Co-operative's investments are accounted for using the cost method. Accordingly, the investments are recorded at acquisition cost, less any provisions for permanent impairment or adjustments for patronage refunds or share redemptions. All transactions with FCL are disclosed in a separate note (Note 4).

(e) Financial instruments

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at amortized cost, unless management has elected to carry the instruments at fair value. The Co-operative has not elected to carry any such financial instruments at fair value. Financial instruments, which are subsequently measured at amortized cost, are adjusted by transaction and financing costs incurred on acquisition.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Co-operative determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Co-operative could realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Assets under capital lease

Leases, which transfer substantially all of the benefits and risks incident to ownership of property, are recorded as an acquisition of an asset and the incurrence of an obligation. Under this method of accounting for leases, the asset is depreciated over its estimated useful life and the obligation, including interest thereon, over the life of the lease. Rents on non-capital leases are expensed as incurred.

(g) Property, plant and equipment

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

Buildings	Straight-line & declining balance	1 - 25 years & 5% - 10%
Parking lots & dykes	Straight-line & declining balance	1 - 15 years & 8%
Tanks	Declining balance	10% - 20%
Furniture & equipment	Straight-line & declining balance	5 years & 10% - 100%
Vehicles	Declining balance	15% - 40%

Assets under construction are not depreciated until put in use.

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

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

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

(h) Share capital

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

(i) Revenue recognition

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

(j) Income taxes

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

3. Financial instruments and risk management

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

(a) Credit risk

The Co-operative is exposed to credit risk on accounts receivable from its customers. The Co-operative manages credit risk through an active credit management program. The Co-operative does not have a significant exposure to any individual customer (2021 - no significant exposure to any individual customer).

(b) Interest rate risk

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

(c) Liquidity risk

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

(d) Commodity price risk

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

4. Transactions with Federated Co-operatives Limited (FCL)

(a) FCL special deposit

Amounts held with FCL as special deposits earn interest at rates based on prime rates.

(b) Patronage refund

The Co-operative, along with other Co-operatives in Western Canada, own FCL. At the end of each year, FCL divides a substantial portion of its net savings among these retail Co-operatives in proportion to the business done by each with FCL. During FCL's fiscal year ended October 31, 2021, the Co-operative purchased goods amounting to $143,945,804 (2020 - $129,847,897) from FCL in the normal course of operations.

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

	2022	2021
Opening investment balance	$ 19,582,327	$ 19,437,722
Patronage refund	5,059,687	2,778,765
Share redemptions	(4,047,750)	(2,634,160)
Closing investment balance	$ 20,594,264	$ 19,582,327

(c) Asset retirement obligation

The Co-operative participates in a contaminated site management program established by FCL to manage its asset retirement obligations. This program limits the Co-operative's liability to $25,000 per site as long as the Co-operative continues to exercise due diligence. The Co-operative has 13 sites under this program. Management believes that due diligence has been exercised and that the impact of the asset retirement obligation to the Co-operative's financial statements is not significant.

The Co-operative has 10 fertilizer sites that are covered under the contaminated site management program established by FCL. Management cannot make a reasonable estimate of the future asset retirement obligation due to the uncertainty of the environmental impact from its fertilizer division.

(d) Purchase commitments

(i) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from FCL for its gas bar and cardlock operations over a ten year period commencing from March 2012. Failure to meet this commitment would require the Co-operative to immediately pay outstanding gas bar and cardlock loan balances owed to FCL, plus repay any gas bar and cardlock grants received, including interest on the grants compounded annually at 10% from the grant date. Total grants received during this period amounted to approximately $777,526 (2021 - $828,946). Management intends to fulfill all existing contracts with FCL.

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

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

(iv) Under the terms of the agreement with FCL, the Co-operative has committed to purchase agricultural, home centre and petroleum related products, from FCL and continue to operate certain agricultural, petroleum and home centre stores over periods of ten to thirty years depending on the specific contract. Failure to meet this commitment would require the Co-operative to repay the assistance received on a prorated basis. Total assistance that would be repayable if commitments were not met without FCL approval as at January 31, 2022 amounted to $1,370,702 (2021 - $1,328,329). Management intends to fulfill all commitments with FCL.

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

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of $102,966 (2021 - $132,443).

6. Inventories

	2022	2021
Raw material	$ 19,478,390	$ 15,955,633
Work in process	575,218	539,563
Goods for resale	29,190,598	27,749,473
	$ 49,244,206	$ 44,244,669

The cost of inventories recognized as an expense during the year was $147,610,813 (2021 - $138,267,428).

7. Prepaid agricultural suppliers

	2022	2021
FCL	$ 3,290,029	$ 2,751,488
UAP	-	178,555
Others	562,817	90,251
	$ 3,852,846	$ 3,020,294

8. Long-term receivable

	Total	**2022** Current Portion	**2022** Deferred Portion	2021 Current Portion	2021 Deferred Portion
Petroleum tanks	$ 182,837	$ 145,422	$ 37,415	$ -	$ -

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

9. Assets under capital lease

	Original Cost	Accumulated Depreciation	**2022** Book Value	2021 Book Value
Fertilizer tank	$ 60,000	$ 57,363	$ 2,637	$ 3,296

Depreciation for the current year included in operating and administration expense was $659 (2021 - $827).

10. Property, plant and equipment

	Original Cost	Accumulated Depreciation	**2022** Book Value	2021 Book Value
Land	$ 1,369,850	$ -	$ 1,369,850	$ 1,370,350
Buildings	19,196,294	7,413,870	11,782,424	12,386,891
Parking lots & dykes	3,535,902	2,342,559	1,193,343	1,359,078
Tanks	2,256,197	2,085,344	170,853	210,272
Furniture & equipment	13,865,344	9,495,070	4,370,274	2,891,410
Vehicles	10,915,352	9,748,394	1,166,958	1,462,118
Under construction	126,528	-	126,528	990
	$ 51,265,467	$ 31,085,237	$ 20,180,230	$ 19,681,109

Depreciation for the current year included in operating and administration expense was $2,529,468 (2021 - $2,352,355).

11. Line of credit

The Co-operative has a $10,000,000 line of credit of which no amount has been drawn as at January 31, 2022 (2021 - $nil). The line of credit is secured by a General Security Agreement over accounts receivable of the Co-operative. Interest on the line of credit is at prime rate (2.45%) (2021 - 2.45%).

12. Accounts payable and trust liabilities

	2022	2021
FCL payables	$ 19,261,557	$ 22,098,140
Other payables	2,124,008	1,791,859
Trust liabilities:		
Payroll deductions	26,661	25,604
Workers' compensation	1,554	3,656
Provincial sales tax	62,630	46,527
Federal fuel charge	148,492	91,949
	$ 21,624,902	$ 24,057,735

13. Bank indebtedness

Federated Co-operatives Limited line of credit, with no balance outstanding as at January 31, 2022 or 2021, bearing interest at prime rate, repayable via an annual reduction in available credit, matures December 2024. The loan is subject to certain non-financial covenants. The Co-operative believes it is in compliance with these covenants as at year-end and has been in compliance since the loan start date. Security for the credit is a Business Security Agreement and a General Security Agreement. The available line of credit decreases as follows:

December 6, 2021 - December 6, 2022	$ 1,800,000
December 6, 2022 - December 6, 2023	1,200,000
December 6, 2023 - December 6, 2024	600,000

14. Share capital

Authorized, unlimited @ $1	**2022**	2021
Balance, beginning of year	$ 32,049,389	$ 31,197,085
Allocation to members	6,808,295	4,348,740
Cash from new members	7,010	6,820
GST on allocation	79,957	67,035
Shares transferred from reserves	353	1,622
	38,945,004	35,621,302
General repayment	2,222,908	2,215,929
Shares transferred to reserves	27	20
Withdrawals and retirements	1,175,887	857,918
Withholding tax	567,591	498,046
	3,966,413	3,571,913
Balance, end of year	$ 34,978,591	$ 32,049,389

15. Reserves and retained savings

	Special Reserve	General Reserve	Retained Savings	2022	2021
Balance, beginning of year	$ 23,929,619	$ 16,763,141	$ 50,000	$ 40,742,760	$ 37,369,353
Net savings distributed to retained savings	-	-	11,922,377	11,922,377	7,723,749
Patronage allocation	-	-	(6,808,295)	(6,808,295)	(4,348,740)
Shares transferred		(326)	-	(326)	(1,602)
Reserve transfers	3,754,104	1,359,978	(5,114,082)	-	-
Balance, end of year	$ 27,683,723	$ 18,122,793	$ 50,000	$ 45,856,516	$ 40,742,760

16. Sales

	2022	2021
Shopping centres and service stations	$ 42,288,977	$ 37,504,722
Agro and branches	130,005,579	121,272,249
	$ 172,294,556	$ 158,776,971

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

17. Net interest

	2022	2021
Interest expense on short-term debt	$ 1,817	$ 10,580
Interest revenue	(493,080)	(377,054)
	$ (491,263)	$ (366,474)

18. Pension plan

The Co-operative participates in a multi-employer defined contribution plan whereby the Co-operative and participating employees contribute equal amounts up to the maximum allowed under the Income Tax Act. The Co-operative has no unfunded liability under this plan. During the year, the Co-operative recorded $397,787 (2021 - $382,460) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

19. Income tax expense

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

	2022	2021
Savings before income taxes	$ 13,599,774	$ 8,401,674
Expected income tax expense at the combined tax rate of 27.0% (2021 - 27.0%) net of general rate deduction	3,671,939	2,268,452
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(35,231)	(54,077)
Patronage allocation to members of $6,808,295 (2021 - $4,348,740)	(1,838,240)	(1,174,160)
Income or expenses claimed in different periods for income tax purposes:		
Capital cost allowance in excess of depreciation	(87,855)	(180,389)
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(33,216)	(184,601)
Prior year tax adjustment	-	2,700
Income tax expense	$ 1,677,397	$ 677,925

20. Economic conditions

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Co-operative’s operations were impacted by COVID-19 due to increased customer demand in some circumstances as well as supply chain disruptions. The future impact the COVID-19 outbreak may have on the Co-operative is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

21. Subsequent events

(a) Patronage allocation to members

Subsequent to January 31,2022 the Board of Directors approved a patronage allocation to members in the amount of $6,808,295 (2021 - $4,348,740).

(b) Food store acquisition

Subsequent to January 31, 2022 the Co-operative acquired a food and liquor store in Souris Manitoba for the purchase price of $1.2 million which includes land, building, and equipment.

Pembina Consumers Co-op (2000) Ltd.
Unaudited Statistical Information
For the Year Ended January 31, 2022

Record of Sales and Net Savings

	Year	Sales	Net Savings	%
From Date of Incorporation, February 1, 2001, to January 31,	2013	$ 937,718,527	$ 68,897,101	7.3
	2014	120,149,830	7,546,626	6.3
	2015	127,241,724	7,196,383	5.7
	2016	129,157,633	7,108,717	5.5
	2017	127,024,090	5,959,715	4.7
	2018	133,629,954	7,205,962	5.4
	2019	149,764,262	8,114,822	5.4
	2020	148,675,746	6,522,886	4.4
	2021	158,776,971	7,723,749	4.9
	2022	172,294,556	11,922,377	6.9
		$ 2,204,433,293	$ 138,198,338	6.3