



COOPERATE  
NOURISH  
THE EARTH  
AND FEED  
THE WORLD





**919**  
producer  
members

**364**  
auxiliary  
members

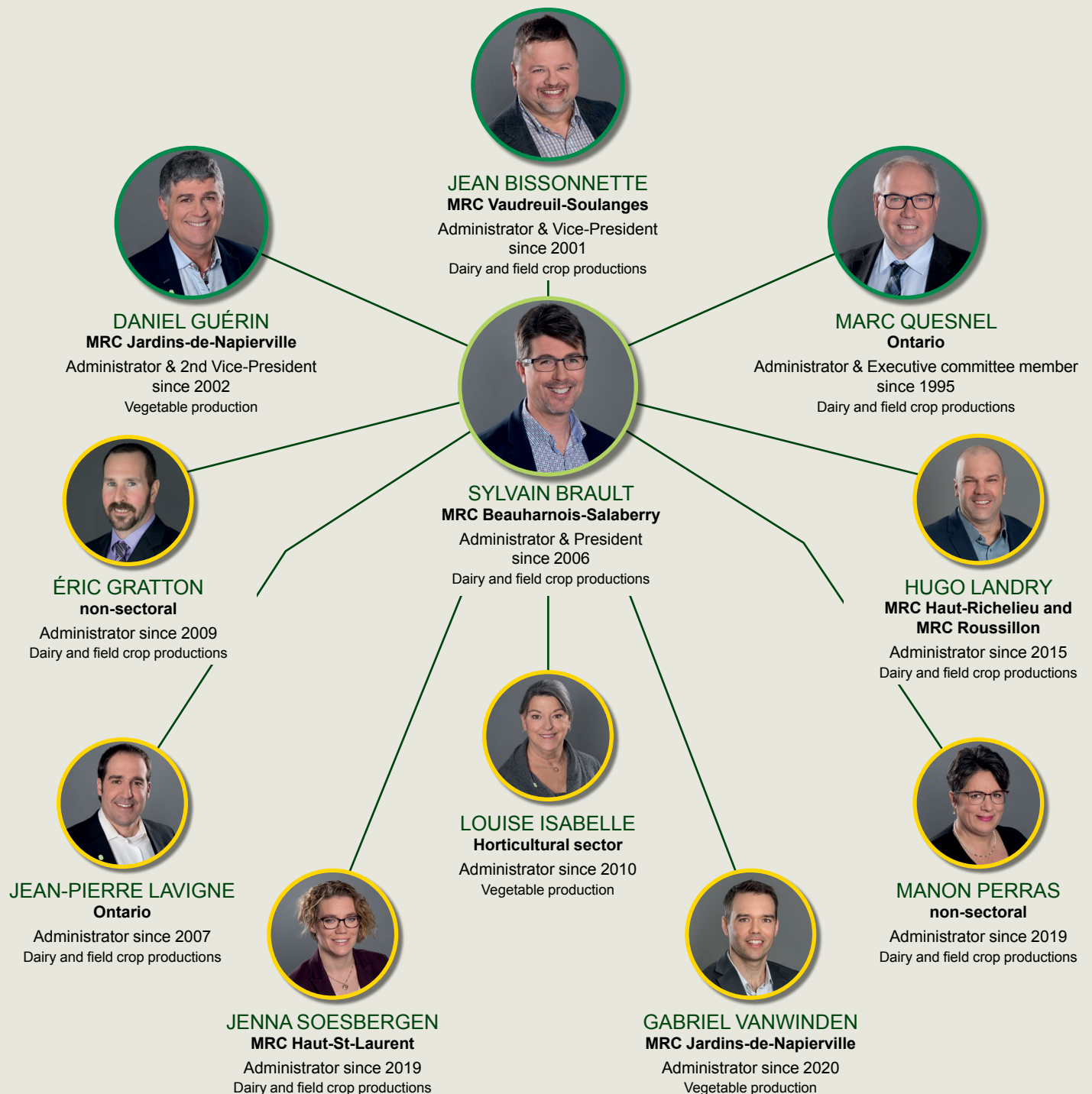
**135**  
employees  
in 2020

# PERFORMANCE HIGHLIGHTS

## Business development



# OUR BOARD OF DIRECTORS







SYLVAIN BRAULT  
President

*There's wind  
beneath our  
wings!*

## PRESIDENT'S MESSAGE

**Despite the obstacles we faced in 2020, we must admit that, more than ever, our cooperative has the wind beneath its wings and is ready to face the challenges of the coming years.**

Bad harvests in 2019 to be marketed, railway strikes, pandemic, computer failure... The year 2020 was filled with challenges. We could have found a whole range of reasons to explain results below expectations. On the opposite, with the mobilization of all our employees who have pulled together and adapted to the various constraints created by these obstacles, Uniac has achieved excellent results this year. I often repeat that Uniac Cooperative's greatest strength is the quality of its human resources, and in this year of pandemic, this statement has taken on its full meaning. As soon as the crisis began, our General Manager Jean-Sébastien Leblanc and his management committee quickly put measures in place to protect our employees. We opted for maximum teleworking for our administrative staff, a minimum number of face-to-face visits for our advisors and protective measures and equipment for our hardware store staff. All these measures were quickly put in place, sometimes even before the government recommendations, so that at the time of writing, there were still no cases of COVID-19 reported in any of our places of business. Admittedly, luck is also part of the equation, but on behalf of the Board of Directors, I would

like to thank and congratulate all our employees, who have shown extraordinary resilience for almost a year now.

Despite these obstacles, many positive events took place at Uniac Cooperative in 2020. First, there is our name change, which could be deployed following the acceptance of the general assembly last June. Even if it remains symbolic, this new name embodies the current state of mind of the cooperative, which after three years of transition and mergers under the name Unifrontières, is now ready to take the next step with Vision 2020 (now Vision Plus), which is coming in 2021.

The establishment of Sollio & Grains Québec along with nine other cooperatives in the network and Sollio Agriculture is also a major event of 2020. This new structure for grain marketing follows the same "one-step" logic as Vision Plus. It will allow grain producers from Quebec and Eastern Ontario to obtain better marketing conditions and other outcomes for their grains, thanks to the strength of the group and the proximity maintained in the field.

Other projects initiated in 2020 should also be completed in 2021, such as the sale of our head office. It is important to note that we should still occupy the premises as tenants for a few more years, before deciding on the possible relocation of the head office

These projects also include our participation in the regional partnership with Sollio Agriculture, within the framework of Vision Plus. As we have often talked about, the pairing of the wholesaler/retailer margin with Sollio Agriculture and the division of the remaining margin once the sale is completed is a major asset for our cooperative. In fact, we are in a context of high competition and minimum margin that is

specific to our territory, in both the animal and crop sectors. This agreement will in no way change the service and billing for our members and clients.

At the retail level, no major project is in sight for 2021, however we are currently benefiting from the 2018 decision of the Board of Directors to centralize our retail operations in the Napierville area. The COVID effect has, of course, had a positive impact on sales in all our hardware stores, but the Napierville hardware store model allows us to fully benefit from the potential sales of a competitor of comparable size that closed its doors at the end of summer 2020. This would not have been possible with our small hardware stores. We are always on the lookout for any business opportunity that could improve our cooperative's situation in this industry, while continuing to serve our producer members throughout our territory, as this is a priority for the Board of Directors. It should also be noted that a new category of auxiliary members for construction contractors will be submitted to the annual meeting and should allow us to further develop this segment of the market.

Another sector that is benefiting from a 2019 decision of the Board of Directors is the consolidation of our vegetable seed sector with Norseco. After one year of operation, we can see the advantages of this association both in terms of financial results and with the highly specialized service offered to our members and customers in the vegetable sector. This industry is also at the heart of our regional partnership discussions with Sollio Agriculture and could benefit from the contacts generated by the association. Moreover, Norseco's W.H. Perron brand of flower and vegetable seeds is now distributed in the BMR network.

Another novelty in 2021 for this sector: if the decision is approved at the general assembly, another category of membership could be created this year. This category would consist of associate members, which would include all market garden producers who are Norseco customers and who are outside our natural territory. It is important to understand that the addition of this membership category will not affect the patronage refunds of our current producer members. On the other hand, in addition to building loyalty and probably increasing sales to these producers, it would also allow us to increase our percentage of business done with our members, which has been a limit in our patronage refunds calculations for the past few years. By being limited to 25% of the decision-making power at the AGM, this new category alone would not be able to influence the nature of our cooperative.

Despite the constraints created by the pandemic, telework and computer failure, our administrative team continues to perform as well as ever. The significant decrease in our allowance for credit losses is just one example of its

contribution to our results. The year 2021 will also bring its share of challenges with a project to eliminate paper from document archiving, in addition to the preparation of the regional partnership with Sollio Agriculture.

As mentioned above, human resources are a priority at Uniag and our efforts in 2020 clearly demonstrate this. For all our employees, we have implemented a performance evaluation program, a variable compensation plan, free telemedicine, and a set of measures to support them throughout the pandemic. These actions reflect the importance that they hold for us.

With the impossibility of holding in-person events for most of the year, our communications manager also had to go the extra mile to maintain the connection with our members and clients. Information capsules for our animal and crop teams, Facebook live sessions with members, promotional capsules for our new name, sponsorship management and the Uniag Challenge, are just a few examples of the task accomplished. Great work that reflects Uniag's growing professionalism!

While the good work of the communications department helped maintain the relationship with our members during the pandemic, it cannot replace the pleasure of getting together at association events. The cancellation of the Défi Vélo and the Christmas lunches in addition to the Annual General Meeting held virtually in June are just a few examples that show that the 2020 associative year will not have been as satisfactory as we would have liked. On the other hand, it will also have led us to get more involved in our community in these difficult times with a donation of more than \$30,000 in market value of food, thanks to the collaboration of our producer members. In the meantime, we remain hopeful that we will be able to reunite in 2021. The Défi Vélo has been extended for August and we are also working on organizing a summer fest in a format that will soon be unveiled to you. Until then, we are keeping our fingers crossed that circumstances will allow us to go ahead with these beautiful projects!

With all, your support for your cooperative is as strong as ever, as we have witnessed with our CIP campaign, which totalled more than \$1.3 million invested in our cooperative by its members. Thank you once again for your trust!

In conclusion, I would like to thank our employees for a wonderful year. I would also like to thank the Board of Directors for their trust and dedication. Of course, I conclude with sincere thanks for all of you, dear members, for your trust and interest in your cooperative.

**Sylvain Brault,**  
President of Uniag Cooperative



# EXECUTIVE COMMITTEE



# MANAGEMENT REPORT



JEAN-SÉBASTIEN LEBLANC, AGR.  
General Manager

## A word from the General manager

It is with great confidence today that I present to you the Management Report for the last fiscal year. At the time of this report's writing last year, I was not in the same mindset as I am today. The last few months have convinced me that our efforts are heading in the right direction. The President has given you a very complete picture of the year 2020. Indeed, all the ingredients were in place to make it a year of misery, yet the opposite has happened. Some of my peers have even claimed to have experienced five years in one with all the different events that impacted our daily operations! In January 2020, we kicked off this extraordinary year at a two-day meeting with all the coop's professionals and managers. All the employees then mobilized to experience one of the best years in our cooperative's short history in terms of financial results.

The months that followed showed us that the cooperative model is a very relevant solution in times of crisis. It is this same confidence that has been at the heart of our success over the past year. To all employees, thank you for responding "present"!

*Before going any further, I would like to bring to your attention that all the results presented to you are from an 11-month fiscal year, which ended on October 31. Comparable figures for the previous year are taken from a 12-month fiscal year.*



Sales \$ in 2020 by sector



Crop:	\$19 486 889	Norseco:	\$34 377 549
Livestock:	\$15 776 202	Centre	
Grain:	\$65 311 618	de grains:	\$384 339
Hardware:	\$17 669 888	Total:	\$153 006 485

## ANIMAL

For the animal sector, sales increased by \$532,378, representing an increase of 3.5% to nearly \$16 million. This is in line with the growth in sales of CFE (complete feed equivalent), which rose from 46,091 MT to 51,548 MT, for an increase of 11.8%. Also, the number of tons is on the rise (22,887 MT vs. 17,716 MT). Gross margin is lower with 16% compared to 17% in 2019. Thus, gross margin per MT (CFE) is \$50.43/MT in 2020 compared to \$54.75/MT in 2019.

In the animal sector, the year 2020 unfolded in two phases: there was the gain of several new customers at the beginning of the year and the loss of a few others at the end of the year. At the beginning of the pandemic, this sector experienced strong variations in demand for dairy products - remember the shocking images of bulk milk tanks being emptied into the drains - which resulted by sustained demand in the months that followed. We can see the regulating effect of the supply management system on the production of quota-allowed products.

## CROP PRODUCTION

### Field crop seeds

In field crop seeds, there is an increase in sales of \$493,053 compared to 2019. This increase in revenues is reflected in increased volumes in corn (5,320 bags VS 3,895 bags) and a decrease in sales units in soybeans (14,663 bags VS 16,755 bags). Our Maïzex corn brand is increasingly recognized and appreciated by producers, helping to grow market share in this product segment. In addition, a good part of the increase in seed sales is attributable to grains and forage. Gross margin remained stable at 15%. The sales forecast for the coming season is very encouraging and follows the same trends.

### Crop protection

In 2020, sales are \$275,326 lower. The pandemic has reduced market garden production, especially for labour-intensive varieties (leafy vegetables, cabbage, broccoli, peppers, etc.). Market gardening accounts for an average of 50% of our chemical sales and some crops have only been 70% produced. Also, the gross margin is lower, at 10% compared to 13% in 2019. This is explained by a significant obsolescence provision in 2020 (\$75,154 VS \$6,572). In addition, manufacturers' end-of-season rebates for 2020 were lower than the previous year. With the current regulatory context in both Quebec and Ontario, we have all the tools to help guide you in using the right product, at the right dose and at the right time.

### Fertilizers

The decrease in sales of \$636,544 in the fertilizer segment is directly related to the lower selling price per tonne of \$450/TM (\$501/TM in 2019). The market value of the fertilizer price dropped, on average, between 2019 and 2020. However, the number of tonnes traded is higher in 2020. It is 22,082 MT VS 21,110 MT in 2019, an increase of 4.6%. The gross margin is higher than last year (\$57/TM VS \$49/TM). This improvement in profitability is largely the result of the exceptional conditions experienced last spring and the availability of skilled labour at the very beginning of containment. A more modest part of this improvement is also explained by a more sustained commercial situation than usual.

### Specialized Services

In terms of specialized services in the crop production sector, we have continued along the same lines as in 2019, with a view to consolidating our offer and developing or maintaining partnerships to offer you various services.



The number of PAEFs is slightly increasing (146 PAEFs in 2020 VS 140 PAEFs in 2019). As for contract spraying, we experienced a decrease in the number of acres sprayed for a second consecutive year. This decrease represents approximately 900 acres, but we were able to achieve a small profit margin. There was also a significant decrease in the number of tonnes sold for lime. This decrease is mainly due to the change in fiscal year-end, as several applications were made last November. Finally, there was an increase in sales combined with a decrease in the margin for custom fertilizer spreading. The new variable-rate spreading service was very successful for the first year of its existence. Your cooperative has great plans for the next year in terms of specialized services.

## VEGETABLE SEEDS & NORSECO

There are no more vegetable seed sales recorded directly in the cooperative's books. These sales are now recorded through a resale mandate and the total of \$10,038,653 represents sales made to Uniag members by Norseco S.E.C. These sales are recorded in the cooperative's books so they can be recognized for the calculation of patronage refunds. The negative gross margin is due to the obsolescence taken on the bill corresponding to the transferred inventories. Otherwise, the gross margin would have been 0% or nil.

## Norseco

Since last year, we have made a habit of presenting Norseco's summary results to you. Since the acquisition in 2014, the results have continued to grow to a new high in 2020 of \$34,961,499. The same goes for the profitability of this branch! After the first year of existence, Norseco's management, the members of the Board of Directors and myself are very satisfied with the results achieved. We are convinced that we have an agile and sustainable business model that will enable us to support the development of this branch in the future.

## GRAINS

### Grain marketing

Grain marketing was impacted by the poor harvest in the fall of 2019, throughout 2020. Almost every shipment was more complicated to market than usual. When it was not a quality cut, the truck was redirected to another site. We recorded a decreasing number of MTs between 2019 and 2020, but also a different product mix. There are 59,971 MT less corn and 6,229 MT more soybeans. Sales are lower than last year (\$65,311,619 VS \$76,032,285). In addition,

2019 sales include the Elite Grain royalty in the amount of \$83,479, whereas this year, the Elite Grain royalty totals \$124,948. Gross margin is higher in soybeans but lower in corn, which represents a higher average gross margin than last year. The roll-out of Sollio & Grains Québec was finalized last December. The next few months will allow us to see the network's full strike force resulting from the creation of this new entity, which is becoming the most important player in grain marketing in Quebec.

## Grain center

The grain center corresponds to the micronisation of soybeans. Sales in 2020 decreased to \$399,419 (\$783,758 in 2019) as there was a shift in customer purchases to other types of by-products that are sold in the animal production sector. In addition, there has been a decrease in consumption by Sollio Agriculture at the mill level. This decrease in dollars corresponds to a decrease in MT; there were 447 MT this year compared to 1,137 MT in 2019. Still, the gross margin is up and is at 43% compared to 33% in 2019.

## RETAIL Hardware

Sales in 2020 are \$12,718,571 compared to \$10,449,600 in 2019, an increase of \$2,268,971. Most of the increase comes from BMR Napierville, which recorded an increase in sales of 50.8% to reach \$1,742,038. Also, the hardware store in Sainte-Barbe explains an increase of 23.5% to \$314,181. Finally, traffic increased in all stores due to the pandemic, ranging from 0.2% to 23.9%. The gross margin for 2019 was 26.8%. This year's margin is up to 29.5%. This increase is due to fewer promotions during the pandemic. Despite the COVID-19 associated excitement for hardware products, there have been some operational challenges to overcome, such as managing out-of-stocks with suppliers and more recently, a change in the ERP system at the wholesaler level. Several people have been discovering our stores in the last few months and we are confident that we will be able to take benefit from this new clientele in the future.



## Convenience store & Gas station

Convenience store sales decreased slightly by 0.5% (\$9,791). Gas station sales decreased by 13.2%. Customer traffic decreased in the spring (i.e., the beginning of the pandemic), which affected sales. Gross margin is slightly higher than last year for the convenience store. It stands at 18.8% (17.9% in 2019).

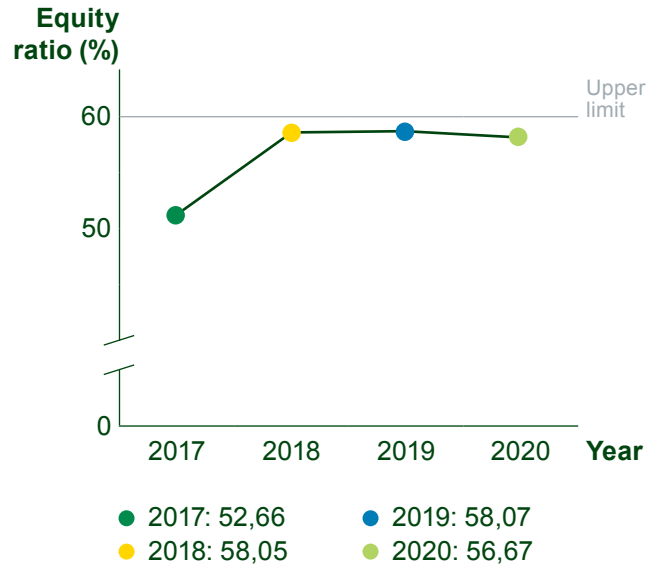
## FINANCIAL SITUATION

For the past few years, your coop has had a strong financial balance sheet. This, combined with its ever-increasing profitability, now allows us to carry out certain projects to grow the cooperative's activities throughout its territory. As of October 31, 2020, Uniag Cooperative's consolidated balance sheet showed total assets of \$70.95 million compared to \$59.55 million at the end of the previous fiscal year. The increase in total assets is mainly attributable to the increase in cash, accounts receivable, deposits on inventories and the increase in investments, related to the portion of Sollio Cooperative Group patronage refunds transferred in shares.

Working capital shows a balance of \$16.72 million, compared with \$13.21 million in 2019. The cooperative's consolidated working capital ratio stood at 1.63 at the end of fiscal 2020, compared with 1.66 at the end of the previous fiscal year.

Equity was 56.67% at the end of fiscal year 2020, compared to 58.07% at the end of the previous fiscal year. Despite the variation in certain balance sheet items, we have managed to maintain this ratio below 60%, which is essential to maintain eligibility for the CIP program.

## Evolution of the equity ratio



## CORPORATE Human Resources

Over the past year, we have gone through several trials and tribulations that have resulted in a stronger sense of attachment to Uniag Cooperative among employees, than ever before. I would be lying if I said that there were no after-effects associated with the pandemic, but everyone has come together to ensure that, day after day, the agricultural families in our territory, our members and our customers have been able to access the products and services they expect from their cooperative. In return, management, with the approval of the Board of Directors, has put a series of measures in place to make Uniag Cooperative an employer of choice. The Olymel food boxes distributed at the peak of the first confinement are a fine example of this!

## Communication

2020 was also a strong year in terms of communications. In addition to a name change for the organization, it is an ever-growing involvement in all the links of the organization that allows us to continue to reach our members, employees, and various partners on an almost daily basis now.



## Information Technology

Cybersecurity has been a constant concern for your Board of Directors since the beginning of 2020. The cooperative has acquired first-rate tools and technology to reinforce its daily use of various technological tools. There is no such thing as risk-free, but ongoing work on prevention is our best asset! With the instant increase of teleworking last March, we had to be creative to enable our employees to be functional at home, but without compromising on cyber security. Last November's outage, while highly undesirable, is a good illustration of the vulnerabilities we face day after day.



## CONCLUSION

The years are following one after the other and they look the same... or not! 2020 will be forever imprinted in our memories. Some people will remember the negative aspects, but many will remember the good things. I am one of them and I am convinced that there are many of us in this situation at Uniag Cooperative. It is said that we remember many trivial details on important days. September 11, 2001 is one of those days. March 13, 2020 may become one of those days, but believe me, I will remember for a long time the day the WHO declares the end of this pandemic! At Uniag Cooperative, the whole year 2020 is a bit surreal, because there have been so many unusual events, both internal and external to the organization, but also a pivotal year in the young life of your cooperative.

Thanks to our various partners, but especially to Desjardins, Farm Credit Canada, and our main supplier; Sollio Cooperative Group and its divisions.

I would like to thank all employees, more than ever, in this context of change and adaptation. We are in an extremely dynamic environment and your daily involvement allows Uniag Cooperative to be in line with its mission. The daily operations of the cooperative would not be possible without you and your work plays a significant role for several hundred local agricultural families. A special mention to my management committee which, I repeat, is one of the best among the agricultural cooperatives in the network.

Thank you to Mr. Sylvain Brault and the Uniag Cooperative Board of Directors who, day after day, demonstrate their confidence in your cooperative's management team.

Finally, thank you, members of Uniag Cooperative, for the trust you have shown throughout the year by promoting your cooperative as a preferred partner for your various product and service needs.



# A SOLID AND UNITED TEAM!

Every year, Uniaq Cooperative employees distinguish themselves through their performance, their dedication to our cooperative and their teamwork. Here are a few of them who have been recognized in 2020.

## Grain marketing

Nomination of Claude Dubuc for the Marketing Agent of the Year award at the Rencontre des experts-conseils 2020.



## Bottine d'or

Serge Gervais, recipient of the Uniaq Cooperative's Bottine d'or for the year 2020, for having distinguished himself in the sale of Agrizone products, for his constant desire to raise customer service standards and for the support he provides to his colleagues.



## Animal productions

Nomination of Marie-Philip Brisson for the Ruminant Consultant of the Year Award at the Rencontre des experts-conseils 2020.



Alex Lapointe, WINNER of the Revelation of the Year Award at the Rencontre des experts-conseils 2020.



Simon-Pierre Loiselle, WINNER of the Dairy production Consultant of the Year Award at the Rencontre des experts-conseils 2020.



## Detail

Our Sainte-Barbe branch was a finalist at the BMR 2020 Gala for the "Best Increase (%) Purchase - Hardware".

### Patrick Loiselle

Manager  
BMR Sainte-Barbe



## Crop productions

Marc Rochette nominated for Field Crop Consultant of the Year Award at the Rencontre des experts-conseils 2020



# COOPERATIVE *Life*



In 2020, the activities to get together have been put to the test, but our members have been more supportive than ever! Let's highlight the events that positively marked the year 2020 within our coop.

De nous à Vous ►  
initiative from  
Sollio Cooperative  
Group



## Donation of vegetables worth \$33,750

We would like to thank all our members for their participation:

- J.P.L. Guérin via Groupe Vegco
- R.R. et fils
- Vert Nature
- Pommes Enderle
- Fermes Leclair
- Mas et fils
- Ferme Jean-Luc Bibeau
- Fermes Gilles Roy et fils
- La Fraisière Rougi et fils

## Virtual Christmas Show

It is with pleasure that we gathered virtually on December 5, 2020 to laugh and have a good time! More than 100 participants joined us for Alex Roy's show.



## Cooperation Week

We donated \$1,000 to the Breakfast Club of Canada on behalf of all the proud cooperators of Uniac Cooperative.



## INDEPENDENT AUDITOR'S REPORT

To members of  
**UNIAG COOPÉRATIVE**

### *Opinion*

We have audited the consolidated financial statements of **UNIAG COOPÉRATIVE** (the Group), which comprise the consolidated balance sheet as at October 31, 2020, and the consolidated statements of income, reserve and cash flow for the eleven-month period 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 Group as at October 31, 2020, and the results of its consolidated operations and its consolidated cash flows for the eleven-month period then ended in accordance with the financial reporting provisions of section 131 of the Quebec Corporatives Act.

### *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 Group 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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the financial reporting provisions of section 131 of the Quebec Corporatives Act., 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.

#### *Saint-Rémi*

81, Boul. Saint-Rémi, bureau 101  
Saint-Rémi (Québec) J0L 2L0  
Téléphone : 450 454-3974  
514 990-1280  
Télécopieur : 450 454-7320

#### *Saint-Constant*

35, rue St-Pierre, bureau 201  
Saint-Constant (Québec) J5A 2E4  
Téléphone : 450 638-3337  
Télécopieur : 450 638-5557



In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

*Saint-Rémi*

81, Boul. Saint-Rémi, bureau 101  
Saint-Rémi (Québec) J0L 2L0  
Téléphone : 450 454-3974  
514 990-1280  
Télécopieur : 450 454-7320

*Saint-Constant*

35, rue St-Pierre, bureau 201  
Saint-Constant (Québec) J5A 2E4  
Téléphone : 450 638-3337  
Télécopieur : 450 638-5557

- 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 Group'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 Group 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 Group 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.

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.

*LLG CPA inc.<sup>1</sup>*

Saint-Rémi, February 12, 2021

---

<sup>1</sup> By CPA auditor, CA, public accountancy permit No. A129101

**Saint-Rémi**

81, Boul. Saint-Rémi, bureau 101  
Saint-Rémi (Québec) J0L 2L0  
Téléphone : 450 454-3974  
514 990-1280  
Télécopieur : 450 454-7320

**Saint-Constant**

35, rue St-Pierre, bureau 201  
Saint-Constant (Québec) J5A 2E4  
Téléphone : 450 638-3337  
Télécopieur : 450 638-5557

UNIAG COOPÉRATIVE  
CONSOLIDATED INCOME  
PERIOD ENDED OCTOBER 31, 2020

	October 31, 2020 (11 months)	November 30, 2019 (12 months)
SALES	\$ 153,006,485	\$ 159,868,621
COST OF GOOD SOLD (Schedule A)	<u>131,347,728</u>	<u>141,236,416</u>
GROSS PROFIT	<u>21,658,757</u>	<u>18,632,205</u>
OPERATING EXPENSES		
Operating and sales expenses	11,363,400	12,461,715
Administration expenses	2,848,521	2,831,314
Interest on long-term debt	184,870	336,759
Interest and bank charges	356,333	403,566
Interest on preferred shares	230,939	238,994
Interest income	(160,090)	(170,531)
Amortization of property, plant and equipment and assets under capital leases	<u>689,413</u>	<u>794,192</u>
	<u>15,513,386</u>	<u>16,896,009</u>
EARNINGS	<u>6,145,371</u>	<u>1,736,196</u>
OTHER REVENUES		
Patronage refunds - Sollio Groupe Coopératif	1,023,849	2,499,960
Patronage refunds - others	4,023	1,740
Dividends	18,019	-
Unrealized profit on derivative financial instruments	52,575	113,959
Gain (loss) on the disposal of property, plant and equipment	18,727	(3,544)
Gain on the disposal of property, plant and equipment held for sale	-	77,755
Devaluation on intangible assets	(7,800)	-
Canada emergency wage subsidy	<u>236,351</u>	<u>-</u>
	<u>1,345,744</u>	<u>2,689,870</u>
SURPLUS EARNINGS FOR THE YEAR BEFORE SUBSIDIARIES INCOME TAXES	<u>7,491,115</u>	<u>4,426,066</u>
INCOME TAXES		
Current	1,336,051	1,029,596
Future	<u>(6,349)</u>	<u>(113,094)</u>
	<u>1,329,702</u>	<u>916,502</u>
NET SURPLUS EARNINGS FOR THE YEAR	<u>\$ 6,161,413</u>	<u>\$ 3,509,564</u>
ATTRIBUTABLE		
TO THE MEMBERS OF THE COOPERATIVE (Note 5)	\$ 4,983,210	\$ 2,744,334
TO NON-CONTROLLING INTERESTS	<u>1,178,203</u>	<u>765,230</u>
	<u>\$ 6,161,413</u>	<u>\$ 3,509,564</u>



UNIAG COOPÉRATIVE  
CONSOLIDATED RESERVE  
PERIOD ENDED OCTOBER 31, 2020

	October 31, 2020 (11 months)	November 30, 2019 (12 months)
BALANCE, BEGINNING OF PERIOD	\$ 16,274,133	\$ 13,734,190
Net surplus earnings from the previous financial year	<u>2,744,334</u>	<u>6,055,324</u>
	<u>19,018,467</u>	<u>19,789,514</u>
Patronage refunds from the previous year		
Cash	(679,442)	(906,567)
Membership shares	(11,745)	(21,307)
Preferred shares	(681,342)	(2,125,806)
Future income taxes related to the previous year's surplus earnings (Note 4)	87,498	(450,341)
Income taxes related to the previous year's surplus earnings (Note 4)	-	(11,360)
Contributed surplus	<u>2</u>	<u>-</u>
	<u>(1,285,029)</u>	<u>(3,515,381)</u>
BALANCE, END OF PERIOD	\$ <u><u>17,733,438</u></u>	\$ <u><u>16,274,133</u></u>

UNIAG COOPÉRATIVE  
CONSOLIDATED CASH FLOW  
PERIOD ENDED OCTOBER 31, 2020

	October 31, 2020 (11 months)	November 30, 2019 (12 months)
OPERATING ACTIVITIES (Note 3)		
Inflows relating to year consolidated earnings	\$ 6,178,240	\$ 2,371,969
Net changes in non-cash working capital items	<u>(1,971,380)</u>	<u>(2,439,741)</u>
	<u>4,206,860</u>	<u>(67,772)</u>
INVESTING ACTIVITIES		
Acquisition of investments	(397,196)	(4,359)
Proceeds from disposal of investments	125	431,590
Acquisition of property, plant and equipment	(1,083,090)	(1,185,318)
Acquisition of property, plant and equipment held for sale	(15,246)	(12,061)
Proceeds from the disposal of property, plants and equipment	29,836	146,966
Proceeds from the disposal of property, plant and equipment held for sale	<u>-</u>	<u>355,000</u>
	<u>(1,465,571)</u>	<u>(268,182)</u>
FINANCING ACTIVITIES		
Net change in bank loan	4,585,968	2,997,023
Long-term loans	874,585	1,045,000
Repayment of long-term debt	(639,135)	(2,008,778)
Repayment of obligations under capital leases	(14,459)	(14,743)
Patronage refunds paid	(679,442)	(906,567)
Repayment of preferred shares	(231,000)	(21,000)
Issuance of member shares and preferred shares	842,722	886,443
Redemption of member shares and preferred shares	(370,718)	(690,548)
Dividends	(300,000)	(60,000)
Contributed surplus	<u>2</u>	<u>-</u>
	<u>4,068,523</u>	<u>1,226,830</u>
INCREASE IN CASH AND CASH EQUIVALENTS	6,809,812	890,876
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>1,641,144</u>	<u>750,268</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u>\$ 8,450,956</u>	<u>\$ 1,641,144</u>

Cash and cash equivalents consist of cash.

UNIAG COOPÉRATIVE  
CONSOLIDATED BALANCE SHEET  
OCTOBER 31, 2020


	October 31, 2020	November 30, 2019
ASSETS		
CURRENT		
Cash	\$ 8,450,956	\$ 1,641,144
Accounts receivable (Note 6)	10,098,522	7,828,640
Income taxes receivable	-	710,192
Inventories (Note 7)	15,982,066	17,399,761
Deposits on inventories	8,098,349	4,845,567
Prepaid expenses	288,430	410,040
Derivative financial instruments (Note 8)	132,317	113,959
Future income taxes	<u>-</u>	<u>208,232</u>
	43,050,640	33,157,535
INVESTMENTS (Note 9)	16,844,492	15,730,727
PROPERTY, PLANT AND EQUIPMENT AND ASSETS UNDER CAPITAL LEASES (Note 10)	6,502,395	7,138,360
PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE	1,033,779	-
INTANGIBLE ASSETS - SOFTWARE IN DEVELOPMENT	31,200	39,000
GOODWILL	<u>3,486,966</u>	<u>3,486,965</u>
	<u>\$ 70,949,472</u>	<u>\$ 59,552,587</u>

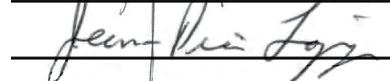


UNIAG COOPÉRATIVE  
CONSOLIDATED BALANCE SHEET  
OCTOBER 31, 2020

	October 31, 2020	November 30, 2019
LIABILITIES		
CURRENT		
Bank loan (Note 11)	\$ 11,732,991	\$ 7,147,023
Accounts payable (Note 12)	9,510,282	7,004,488
Advance payments	867,216	2,157,707
Income taxes payable	86,479	-
Derivative financial instruments (Note 8)	79,742	-
Future income taxes	35,003	-
Obligations under capital leases - current portion (Note 13)	16,881	15,820
Long-term debt - current portion (Note 14)	438,181	267,935
Long-term debt - current renewable portion (Note 14)	1,920,039	1,836,509
Preferred shares - current portion (Note 15)	<u>1,642,822</u>	<u>1,523,017</u>
	26,329,636	19,952,499
OBLIGATIONS UNDER CAPITAL LEASES (Note 13)	16,244	31,764
LONG-TERM DEBT (Note 14)	2,435,830	2,454,156
PREFERRED SHARES REDEEMABLE (Note 15)	223,000	454,000
FUTURE INCOME TAXES	<u>1,740,312</u>	<u>2,077,394</u>
	<u>30,745,022</u>	<u>24,969,813</u>
EQUITY		
PREFERRED SHARES (Note 16)	12,309,047	11,273,406
MEMBERS' EQUITY		
Social capital (Note 16)	811,235	801,590
COOPERATIVE EQUITY		
Net surplus earnings (Note 5)	4,983,210	2,744,334
Reserve	<u>17,733,438</u>	<u>16,274,133</u>
	35,836,930	31,093,463
NON-CONTROLLING INTERESTS	<u>4,367,520</u>	<u>3,489,311</u>
	<u>40,204,450</u>	<u>34,582,774</u>
	<u>\$ 70,949,472</u>	<u>\$ 59,552,587</u>

ON BEHALF OF THE BOARD

 \_\_\_\_\_, Director

 \_\_\_\_\_, Director

## 1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The cooperative, established under the Cooperatives Act, resulting from a merger between La Coop Uniforce and La Coop des Frontières, agricultural cooperative, is an organization created to procure goods and services for its members which they then use for operating their enterprises. It operates hardware stores, sells a variety of products mainly in the agricultural sector, and markets grain. On August 20, 2020, the cooperative adopted the corporate name Uniag Coopérative.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE), with the exception of certain situations arising from the requirements of the Cooperatives Act and its related regulations, and includes the following significant accounting policies:

### Patronage refunds and income taxes

The net surplus earning for the year presented in the consolidated income statements is established before patronage refunds and income taxes on net surplus earnings of the cooperative. The amount of the patronage refunds is established by members at the Annual General Meeting. The net surplus earnings for the year, the patronage refunds and income taxes on net surplus earnings will be entered against the consolidated reserve during the next financial year.

### Interest on preferred shares

Interest on preferred shares and related income taxes are indicated in the consolidated income statement.

### Basis of consolidation

The consolidated financial statements include the accounts of the cooperative and its subsidiaries. On consolidation, all intercompany transactions and balances have been eliminated.

The cooperative's subsidiaries are as follows:

Name	Description	Percentage ownership
9406-5299 Québec inc.	Holding	70 %
Norseco S.E.C.	Seed distributor	73.4 %
9403-1689 Québec inc.	Holding	73.4 %

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition

Sales of services are registered when the services are rendered to the client as long as there is proof a sales agreement, that the price has been determined or is possible to establish, and that the probability of collecting the payment is reasonably good.

Volume discounts are registered as a reduction in the sales figure as the sale is recorded.

Cash discounts given to customers are registered as a reduction in the sales figure as the sale is recorded.

Cash considerations received from suppliers constitute a reduction in the price of the suppliers' products or services and is recorded as a reduction in the cost of goods sold and of related inventories when referred to the consolidated financial statements of a cooperative. Certain exceptions apply when the cash consideration received represents either a reimbursement of the costs incurred by the cooperative to sell the products of the supplier, or a payment for goods delivered or services provided to suppliers.

Government wage subsidies are recognized in the year to which they relate, provided that the company is reasonably certain that it has complied, and continuing to comply, with all of the conditions attached to the granting of this assistance.

### Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenses for the periods covered. The most important estimates are the calculation of government wage subsidies, the net value of inventories, the impairment of financial assets and useful life of property, plant and equipment and assets under capital leases.

### Cash and cash equivalents

The cooperative's policy is to present bank balances under cash and cash equivalents, including bank overdrafts when bank balances that fluctuate frequently from being positive to overdrawn.

### Financial instruments

#### *Initial and subsequent measurement*

The cooperative initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The cooperative subsequently measures all its financial assets and liabilities at cost or amortized cost, except for forward contracts and foreign exchange contracts.

Financial assets measured at amortized cost include cash, accounts receivable and loans.

Preferred shares investments of private companies and membership shares are recorded at cost.

Financial liabilities measured at amortized cost on a straight-line basis include bank loan, accounts payable, advance payments and long-term debt.

Financial assets measured at fair value include forward contracts and foreign exchange contracts.

### *Impairment*

For financial assets measured at cost or amortized cost, the cooperative determines whether there are indications of possible impairment. When there is an indication of impairment, and the cooperative determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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.

### *Transaction costs*

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using straight-line method.

### *Derivative financial instruments*

In accordance with its risk management strategy, the cooperative uses derivative financial instruments to manage the risks associated with fluctuations in the cost of grain and the foreign exchange risks arising from its future commercial transactions abroad. Derivative financial instruments include forward price contracts and foreign exchange contracts.

Derivative financial instruments, for those not designated as hedge funds, are recorded at their estimated fair value as an asset or liability, which is the approximate amount that can be obtained from the settlement of these instruments at market prices or rates. Gains or losses resulting from the revaluation at the end of each year are recorded in the earnings. For forward contracts, fair value is determined by dealers using quoted market prices.



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

Inventories are measured at the lower of cost and net realizable value. The weighted average cost is determined using the first-in, first-out method.

For stock of seeds of one of subsidiaries, they are measured at the lower of cost and net realizable value. The cost is determined according to the specific cost method.

The cost of inventories includes all purchase costs and other costs incurred to bring inventories to their present location and condition. Purchase costs include the purchase price, import duties and non-recoverable taxes, as well as transportation, handling, and other costs directly attributable to the acquisition of the products.

### Property, plant and equipment and assets under capital leases

Property, plant and equipment and assets under capital leases are accounted for a cost and reduced by any governmental assistance. They are amortized on the basis of their useful life using the declining balance methods at the following rates:

Buildings	4 % and 10 %
Office furniture	20 %
Computer equipment	30%
Rolling stock	10 % et 30 %
Pavement and sidings	8 %
Truck scales	20 %
Machinery and equipment	20 %
Leasehold improvements	20%

### Property, plant and equipment held for sale

Property, plant and equipment held for sale consists of a building and land located in Napierville. These are recorded at the lower of their book value and fair value less selling costs and are not amortized.

### Intangible assets

Intangible asset consists of a software and is recorded at cost. It will be amortized on the basis of their useful life using the declining balance method at 20 % when it is used.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is not amortized and is tested for impairment whenever events or changes in circumstances indicate that the fair value of the reporting unit to which the goodwill is assigned may be less than its carrying amount. When the carrying amount of a reporting unit exceeds its fair value, a goodwill impairment loss is recognized in net income in an amount equal to the excess.

### Currency conversion

Transactions in foreign currencies are converted into Canadian dollars. Monetary items on the balance sheet are converted at the exchange rate in effect at the end of the year, while non-monetary items are converted at the exchange rate in effect on the date of the transaction. Income and expenses are converted at the exchange rate in effect on the date of the transactions. Gains and losses resulting from the conversion are included in the earnings.

### Research and development tax credits

Credits are recognized when assessed by government authorities and eligible expenses are not known at the time of the consolidated financial statements are produced.

### Income taxes on the surplus earnings

The cooperative uses the tax liability method to calculate the income tax due on the surplus earnings. Future income tax assets and liabilities on the surplus earnings are recognized to take into account temporary differences in the future tax consequences between the accounting the accounting value of assets and liabilities and their tax value. Future income tax assets and liabilities on the surplus earnings are measured using the rates applicable in the year in which the differences are expected to reverse.

For their part, the subsidiaries use the future income tax method to record income taxes on its profits.

### 3. CASH FLOW

Inflows related to the consolidated income of the year are detailed as follows:

	October 31, 2020	November 30, 2019
Net surplus earnings for the year	\$ 6,161,413	\$ 3,509,565
Items not affecting cash :		
Future income taxes	(6,349)	(113,094)
Depreciation of property, plant and equipment and assets under capital leases	689,413	794,192
Loss (gain) on disposal of property, plant and equipment	(18,727)	3,544
Devaluation on intangible assets	7,800	-
Gain on disposal of property , plant and equipment held for sale	-	(77,755)
Loss on derivative financial instruments	113,959	119,448
Unrealized gain on derivative financial instruments	(52,575)	(113,959)
Patronage refunds converted into shares	<u>(716,694)</u>	<u>(1,749,972)</u>
	<u>\$ 6,178,240</u>	<u>\$ 2,371,969</u>

The net changes in non-cash working capital items are as follows:

	October 31, 2020	November 30, 2019
Accounts receivable	\$ (2,269,882)	\$ (177,930)
Income taxes receivable	796,671	(259,892)
Inventories	1,417,695	(159,606)
Deposits on inventories	(3,252,782)	(1,323,347)
Prepaid expenses	121,610	(16,485)
Accounts payable	2,505,799	(315,718)
Advance payments	(1,290,491)	(175,403)
Income taxes on the surplus earnings	<u>-</u>	<u>(11,360)</u>
	<u>\$ (1,971,380)</u>	<u>\$ (2,439,741)</u>

#### 4. INCOME TAXES ON SURPLUS EARNINGS

The reconciliation between income tax expenses and the amount obtained by multiplying the year-end surplus earnings by the income tax rates provided for in the Income Tax Act can be summarized as follows:

The significant components of the income taxes on surplus earnings are as follows:

	October 31, 2020	November 30, 2019
Current	\$ 1,336,051	\$ 1,029,596
Future	(6,349)	(113,094)
Future related to the financial year surplus earnings	<u>12,244</u>	<u>(87,498)</u>
Income taxes on surplus earnings	<u>\$ 1,341,946</u>	<u>\$ 829,004</u>
Surplus earnings for calculation of the income tax expense	<u>\$ 7,491,115</u>	<u>\$ 4,426,067</u>
Income taxes at combined federal and provincial rate of 26.5%	1,985,146	1,172,908
Patronage refunds	(699,563)	(363,451)
Effect of non-deductible expenses	75,801	68,143
Other items	<u>(19,438)</u>	<u>(48,596)</u>
Income taxes on surplus earnings	<u>\$ 1,341,946</u>	<u>\$ 829,004</u>

Future income tax consists of the surplus earnings of the book value for property, plant and equipment as well as fiscal losses carried forward on the tax value and patronage refunds received as preferred shares for an amount of \$ 2,002 140 in liabilities (\$ 1,989,896 in liabilities in 2019).



## 5. SURPLUS EARNINGS FOR THE YEAR - RECOMMENDATION ON DISTRIBUTION

At its meeting on February 12, 2021, the Board of Directors decided to recommend to its members that they distribute a patronage refunds of \$ 2,639 862 for the financial year ending October 31, 2020.

Considering that at the general meeting, the members approved the aforementioned recommendation, the income taxes on surplus earnings that will be recorded in the reserve for the following year, in accordance with the Application Regulations for the Cooperatives Act, are as follows:

	October 31, 2020	November 30, 2019
Surplus earnings for the year	\$ 4,983,210	\$ 2,744,334
Recommended patronage refunds	<u>(2,639,862)</u>	<u>(1,372,529)</u>
	2,343,348	1,371,805
Income taxes on surplus earnings		
Future payment related to the surplus earnings for the year (Note 4)	<u>(12,244)</u>	<u>87,498</u>
Amount to be allocated to the reserve	<u>\$ 2,331,104</u>	<u>\$ 1,459,303</u>

## 6. ACCOUNTS RECEIVABLE

	October 31, 2020	November 30, 2019
Customers		
Grains	\$ 2,086,224	\$ 1,472,921
Members	2,147,819	1,985,445
Allowance for doubtful accounts	(224,996)	(366,220)
Sales Taxes	327,231	129,612
Broker deposits	254,851	287,591
Others	5,271,042	4,319,291
Grants receivable	<u>236,351</u>	<u>-</u>
	<u>\$ 10,098,522</u>	<u>\$ 7,828,640</u>

## 7. INVENTORIES

	October 31, 2020	November 30, 2019
Animal feed	\$ 292,724	\$ 301,908
Packaging materials	83,846	82,105
Hardware Stores	4,830,055	4,428,859
Grains	2,054,524	2,084,042
Fertilizer center	685,274	1,029,509
Crop protection products and seeds	<u>8,035,643</u>	<u>9,473,338</u>
	<u>\$ 15,982,066</u>	<u>\$ 17,399,761</u>

The provision for depreciation of inventories at their net relizable value amounts to \$ 968,195 (\$ 670,535 in 2019), the expenses was recognized as a cost of goods sold.

## 8. DERIVATE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments reflects the estimated amounts that the cooperative should receive (or pay) to terminate open-ended contracts at the end of the year. The fair value of derivative financial instruments as at the end of the year, is as follows:

	Nominal Contractual Value	Balance Sheet	Fair value asset (liability) October 31, 2020	Fair value asset (liability) November 30, 2019
Forward contracts	\$ 159,508	Current assets	\$ 132,317	\$ 113,959
Foreign exchange contracts	\$ 4,775,000	Current liabilities	<u>(79,742)</u>	<u>-</u>
			<u>\$ 52,575</u>	<u>\$ 113,959</u>

## 9. INVESTMENTS

	October 31, 2020	November 30, 2019
Sollio Groupe Coopératif - Class A common shares 899 shares (904 shares in 2019)	\$ 22,475	\$ 22,600
Sollio Groupe Coopératif - Class B common shares 2,113,337 shares	2,113,337	2,113,337
Sollio Groupe Coopératif - Class D common shares 13,243,435 shares (12,526,741 shares in 2019)	13,243,435	12,526,741
Other cooperatives	2,368	2,368
11.28 % interest in 9372-4409 Québec inc.	541,794	541,794
0.4963 % interest in Énergie RC S.E.C	217,287	217,287
Membership shares		
Coopérative Beauharnois en santé - coop de solidarité	500	500
Centre Coopératif de grains	5,000	5,000
Coopérative de développement régional du Québec	100	100
Loan receivable from company, without interest or terms of repayment	300,000	300,000
2.10 % interest (1.76 % in 2019) in Optiboef S.E.N.C.	1,000	1,000
11.57 % interest of Class A shares in Grains Québec Commandité inc.	9	-
397 187 Class A common shares, representing an 11.57 % interest in Partenariat Agricole GQ S.E.C.	<u>397,187</u>	<u>-</u>
	<u>\$ 16,844,492</u>	<u>\$ 15,730,727</u>

# **10. PROPERTY, PLANT AND EQUIPMENT AND ASSETS UNDER CAPITAL LEASES**

			October 31, 2020	November 30, 2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,066,645	\$ -	\$ 1,066,645	\$ 1,159,069
Buildings	4,390,919	1,654,143	2,736,776	3,762,106
Office furniture	89,460	69,277	20,183	20,681
Computer equipment	762,748	517,659	245,089	225,949
Rolling stock	3,037,015	1,634,371	1,402,644	1,028,032
Pavement and sidings	528,486	239,909	288,577	330,841
Truck scales	264,303	247,177	17,126	20,971
Machinery and equipment	1,839,549	1,375,132	464,417	429,664
Leasehold improvements	311,775	76,560	235,215	125,566
Rolling stock under capital lease	<u>87,770</u>	<u>62,047</u>	<u>25,723</u>	<u>35,481</u>
	<u>\$ 12,378,670</u>	<u>\$ 5,876,275</u>	<u>\$ 6,502,395</u>	<u>\$ 7,138,360</u>

# **11. BANK LOAN**

The cooperative has an authorized two lines of credit of \$ 13,000,000 of which \$ 5,000,000 had not been used as at October 31, 2020. This bank loan is secured by a first ranked moveable mortgage on the universality of present and future receivables, tangible and intangible inventories for an amount of \$ 13,000,000 and is renewable annually. Accounts receivable and inventories have a net value of \$ 16,910,873 (\$ 16,187,268 in 2019).

The cooperative also has an authorized line of credit of \$ 10,000,000 of which \$ 6,267,009 amount had been used as at October 31, 2020. This loan is secured by a second ranked moveable mortgage on the universality of present and future receivables, inventories, property, plant and equipment and intangible assets for a capital amount of \$ 10,000,000. Accounts receivable and inventories have a net value of \$ 16,910,873 (\$ 16,187,268 in 2019).

One of subsidiaries have an authorized line of credit of \$ 5,000,000 of wich no amount is used as at October 31, 2020. In addition, it has a \$ 700,000 foreign exchange facility, of which no amount is used as at October 31, 2020. It is secured by a first ranked moveable mortgage of \$ 7,000,000 on the universality of moveable assets, receivables, and inventories, having a net value of \$ 15,501,191 (\$ 12,267,532 in 2019). The agreement is renewable annually.



## 12. ACCOUNTS PAYABLE

	October 31, 2020	November 30, 2019
Members	\$ 974,030	\$ 766,226
Sollio Groupe Coopératif	2,568,628	1,428,997
Government remittances	356,145	279,662
Other suppliers and accrued liabilities	<u>5,611,479</u>	<u>4,529,603</u>
	<u>\$ 9,510,282</u>	<u>\$ 7,004,488</u>

## 13. OBLIGATIONS UNDER CAPITAL LEASES

	October 31, 2020	November 30, 2019
Capital lease for rolling stock, 8.24 % maturing in May 2022, capital and interest repayable in monthly instalments of \$ 1,012	\$ 24,771	\$ 33,897
Capital lease for rolling stock, 5.12 % maturing in May 2022, capital and interest repayable in monthly instalments of \$ 535	<u>8,354</u>	<u>13,687</u>
	33,125	47,584
Obligations under capital leases - current portion	<u>16,881</u>	<u>15,820</u>
	<u>\$ 16,244</u>	<u>\$ 31,764</u>

The minimum future payments due on capital leases over the next tow years are as follows:

2021	\$ 18,557
2022	<u>16,581</u>
	35,138
Interest included in minimum payments	<u>2,013</u>
	<u>\$ 33,125</u>

#### 14. LONG-TERM DEBT

	October 31, 2020	November 30, 2019
Loan from Caisse Desjardins des Seigneuries de la frontière, 1.90 %, maturing in September 2021, secured by property, plant and equipment with a net value of \$ 1,033,779 and guaranteed by La Financière Agricole, principal and interest repayable in monthly instalments of \$ 7,649	\$ 978,616	\$ 1,049,693
Loans from Caisse Desjardins de l'Ouest de la Montérégie, 1.90 % to 3.94 %, renewable from October 2021 and September 2022, secured by property, plant and equipment with a net value of \$ 4,415,412, principal and interest repayable in total monthly instalments of \$ 33,740	2,303,538	1,628,689
Loan from Caisse Desjardins de l'Ouest de la Montérégie, 3 %, renewable in January 2021, secured by property, plant and equipment with a net value of \$ 1,953,874, principal and interest repayable in total monthly instalments of \$ 3,167	259,971	289,537
Loan, 10.5 %, maturing in September 2024, principal repayable in monthly instalments of \$ 10,400	477,865	604,800
Loan, 6.25 %	-	153,334
Notes payable to Sollio Groupe Coopératif, 2.45 %, maturing in April 2022, payable in full on the due date	<u>774,060</u>	<u>832,547</u>
	4,794,050	4,558,600
Long-term debt - current portion	438,181	267,935
Long-term debt - current renewable portion	<u>1,920,039</u>	<u>1,836,509</u>
	<u>\$ 2,435,830</u>	<u>\$ 2,454,156</u>

#### 14. LONG-TERM DEBT (continued)

The estimated payments on the long-term debt during the next five years, established as follows:

2021	\$	580,269
2022	\$	592,035
2023	\$	604,141
2024	\$	595,265
2025	\$	471,625

#### 15. PREFERRED SHARES REDEEMABLE

	October 31, 2020	November 30, 2019
Class ESSOR preferred shares, 7.25 %, maturing in September 2022	\$ 475,000	\$ 706,000
Class F preferred shares	417,839	473,356
Class P preferred shares	-	797,661
Class Q preferred shares	<u>972,983</u>	<u>-</u>
	1,865,822	1,977,017
Preferred shares - current portion	<u>1,642,822</u>	<u>1,523,017</u>
	<u>\$ 223,000</u>	<u>\$ 454,000</u>

The principal payments during over the next two years are as follows:

2021	\$	1,642,822
2022	\$	223,000

## 16. SOCIAL CAPITAL

The cooperative members' equity consists of social shares and preferred shares. The cooperative may issue an unlimited number of social shares with a nominal value of \$ 10 each. All members must hold 100 social shares at \$ 10 each for a total of \$ 1,000. A member only has the right to one vote, no matter how many social parts they hold. These shares are paid for the following way: \$ 250 at the time of subscription, the balance is payable out of future patronage refunds that will be declared. The member has the option of paying the balance in advance.

An auxiliary member must hold 5 social shares at \$ 10 each for a total of \$ 50. This type of member has no voting rights but has the right to patronage refunds.

Cooperative regulations authorize the board to issue various classes of preferred shares and to determinate the amount, privileges, interests, rights and restrictions, and the terms and conditions of payments, repayment, and redemption.

Preferred shares, nominal value of \$ 1, interest-free, redeemable from paid-up capital at the option of the Board of Directors.

Class F preferred shares, eligible for the Régime d'investissement coopératif, unlimited number, nominal value of \$ 1 each, maximum annual yield of 12 % determined by the Board of Directors and redeemable by decision of the Board of Directors five years after the date of issue.

Class Q preferred shares, nominal value of \$ 1, non-cumulative interest of 3.2 % in 2020, reviewable annually, issued under the Régime d'investissement coopératif, redeemable at the nominal value by decision of the Board of Directors in December 2020.

Class R preferred shares, nominal value of \$ 1, non-cumulative interest of 3.2 % in 2020, reviewable annually, issued under the Régime d'investissement coopératif, redeemable at the nominal value by decision of the Board of Directors in December 2021, December 2022, December 2023 and December 2024.

Class LCF-2017 preferred shares, nominal value of \$ 1, without interest, issued in connection with the acquisition of assets, redeemable at the option of the Board of Directors.



**16. SOCIAL CAPITAL (continued)**

	October 31, 2020	November 30, 2019
Shares issued and paid, presented as members' equity:		
919 social shares (915 in 2019)	\$ 796,115	\$ 786,542
363 auxiliary member shares (365 in 2019)	<u>15,120</u>	<u>15,048</u>
	<u>\$ 811,235</u>	<u>\$ 801,590</u>
Preferred shares, presented as equity:		
- Preferred shares	\$ 2,982,182	\$ 2,300,845
- Class F preferred shares	-	417,840
- Class Q preferred shares	-	972,983
- Class R preferred shares	6,490,865	4,745,738
- Class LCF-2017 preferred shares	<u>2,836,000</u>	<u>2,836,000</u>
	<u>\$ 12,309,047</u>	<u>\$ 11,273,406</u>
During the year, the social capital and preferred shares varied as follows:		
	October 31, 2020	November 30, 2019
Balance at the beginning of year	\$ 12,074,996	\$ 9,549,210
Increase		
- Issued as cash	842,722	886,443
- Patronage refunds converted into shares	<u>693,087</u>	<u>2,147,113</u>
	<u>13,610,805</u>	<u>12,582,766</u>
Decrease		
- Redemption	370,718	438,548
- Preferred shares presented as a financial liabilities	<u>119,805</u>	<u>69,222</u>
	<u>490,523</u>	<u>507,770</u>
	<u>\$ 13,120,282</u>	<u>\$ 12,074,996</u>

## 17. TRANSACTIONS WITH MEMBERS

During the year, the cooperative carried out 53.57 % (50.19 % in 2019) of its transactions with members as defined by the application regulations in the Cooperative Act. These transactions, were made in the normal course of business, and are measured at the exchange value, wich is the amount of consideration established and agreed by the members.

## 18. CONTINGENCIES

As part of a lease agreement with Sollio Groupe Coopératif, the cooperative signed a letter of guarantee in the amount of \$ 200,000.

## 19. CONTRACTUAL COMMITMENTS

The cooperative and their subsidiaries signed rental agreements for buildings, vehicles, and equipment with various maturing between December 2020 and March 2029. Minimum future payments total \$ 3,899,673 and include the following payments for the next five years:

2021	\$	581,593
2022	\$	602,280
2023	\$	605,990
2024	\$	458,648
2025	\$	404,658

In addition, the cooperative entered into futures contracts for purchases and sales, setting the price for several grains with various maturities until December 2020. As at October 31, 2020 the net amounts committed are \$ 119,544 in U.S. dollars, representing 762 metric tonnes of grain, and \$ 36,214,993 in Canadian dollars, representing 111,513 metric tonnes of grain.

As the result of an agreement with Sollio Groupe Coopératif, the cooperative has committed to purchasing 95 % of its feed products as well as hardware and materials from Sollio Groupe Coopératif. In addition, they will pay a \$ 20,000 annual consulting fee to Sollio Groupe Coopératif.

## 20. RELATED PARTIES TRANSACTIONS

During th year, operations were carried out with companies of the members of the Board of Directors. These transactions, were made in the normal course of business, and are mesured at the exchange value, wich is the amount of consideration established and agreed by the members.

## 21. ECONOMIC DEPENDENCE

During the year, the cooperative made approximately 26 % (17 % in 2019) of its purchases from Sollio Groupe Coopératif.

During the year, the cooperative made approximately 58 % (54 % in 2019) of its grains sales to two major customers.

## 22. FINANCIAL INSTRUMENTS

### Financial risks

The cooperative is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

### Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the cooperative by failing to discharge an obligation. The cooperative's credit risk is mainly related to accounts receivable and notes receivable.

The cooperative provides credit to its clients in the normal course of its operations. The cooperative assesses the financial condition of its clients on an ongoing basis and reviews the credit history of any new client. The cooperative establishes an allowance for doubtful accounts taking into account the credit risk of individual customers, historical trends and other information. As at October 31, 2020, approximately 54 % (26 % as at November 30, 2019) of the total accounts receivable is receivable from two major corporation (two major corporation in 2019).

### Liquidity risk

Liquidity risk is the risk that the cooperative will encounter difficulty in meeting obligations associated with financial liabilities. The cooperative is exposed to this risk mainly in respect operational needs and using multiple sources of funding to maintain flexibility.

### Interest rate 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 interest rates. The cooperative is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest rate instruments subject the cooperative to fair value risk as it varies inversely with changes in market interest rates. Floating rate instruments subject the cooperative to fluctuations in future cash flows. However, a 1 % change in the prime rate would not have a material impact on the cooperative's consolidated results and financial position.

## 22. FINANCIAL INSTRUMENTS (continued)

### 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 cooperative realizes sales and purchases in foreign currency. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. At the end of the year, assets and liabilities denominated in foreign exchange and converted into Canadian dollars are the following:

	October 31, 2020		November 30, 2019	
	Euros €	American dollars \$	Euros €	American dollars \$
Cash	-	484,736	-	798,008
Accounts receivable	-	1,069,314	-	904,774
Accounts payable	2,374	1,621,788	1,104	1,049,909

## 23. COMPARATIVE FIGURES

Certain figures for 2019 have been reclassified to make their presentation identical to that adopted in 2020.

UNIAG COOPÉRATIVE  
CONSOLIDATED ADDITIONAL INFORMATION  
PERIOD ENDED OCTOBER 31, 2020

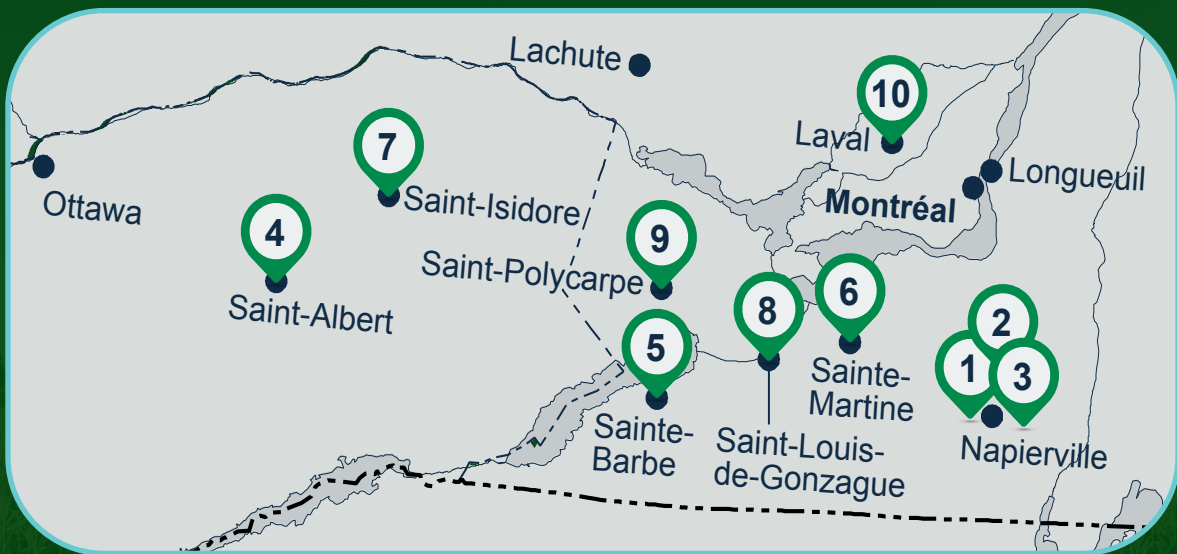
---

	October 31, 2020 (11 months)	November 30, 2019 (12 months)
SCHEDULE A - COST OF GOOD SOLD		
Inventories at beginning of year	\$ 17,399,761	\$ 17,240,155
Purchases	129,855,106	140,926,658
Freight charges	260,885	352,558
Increase (decrease) in inventories depreciation	<u>(185,958)</u>	<u>116,805</u>
	147,329,794	158,636,176
Inventories at the end of year	<u>15,982,066</u>	<u>17,399,760</u>
	<u>\$ 131,347,728</u>	<u>\$ 141,236,416</u>



[illegible]

[illegible]



## OUR BUSINESS LOCATIONS

**1 MAIN OFFICE**  
4, rang Saint-André  
Saint-Cyprien-de-Napierville, QC  
J0J 1L0  
☎ 450 245-3308

**2 BMR NAPIERVILLE**  
701, route 219, QC  
☎ 450 245-3677  
@ bmr.napierville@uniag.coop

**3 FERTILIZER CENTER NAPIERVILLE**  
100, boulevard Industriel, QC  
☎ 450 245-3308 poste 10401

**4 AGRIZONE SAINT-ALBERT & FERTILIZER CENTER**  
1312, route 900 E, ON  
☎ 613 987-2152  
@ hardw.albert@uniag.coop

**5 BMR EXPRESS SAINTE-BARBE**  
59, Montée du Lac, QC  
☎ 450 373-4625  
@ quinc.barbe@uniag.coop

**6 BMR EXPRESS SAINTE-MARTINE & FERTILIZER CENTER**  
195, rue Ste-Marie C.P. 9, QC  
☎ 450 427-2003  
@ quinc.martine@uniag.coop

**7 AGRIZONE SAINT-ISIDORE & FERTILIZER CENTER**  
4650, rue Ste-Catherine, ON  
☎ 613 524-2828  
@ hardw.isidore@uniag.coop

**8 SONICHOIX/BMR EXPRESS SAINT-LOUIS-DE-GONZAGUE**  
31, rue du Pont, QC  
☎ 450 377-9460  
@ quinc.louis@uniag.coop

**9 AGRIZONE SAINT-POLYCARPE & FERTILIZER CENTER**  
68, chemin de la Cité des Jeunes, QC  
☎ 450 265-3142  
@ quinc.poly@uniag.coop

**10 NORSECO**  
2914, boulevard Curé-Labelle, Laval, QC  
☎ 1 800 561-9693