



OTTER CO-OP 2023

ANNUAL REPORT



OUR CO-OP

IT PAYS TO BE A MEMBER

Co-operatives have been playing an integral part in their communities since their inception - it's simply a different way of doing business! A Co-op is not a store, an office, or a town. A Co-op is its members. It is the team that works at our locations and the guests that shop there, all those who own an equal stake in the business and share the profits.

WHAT IS A CO-OP?

Co-operatives, as opposed to corporations, are owned by their members who each have an equal stake in the business. Co-operatives are therefore responsible for representing the interests of their members who, in turn, can vote on big business decisions as well as the Co-op Board of Directors. Membership is ownership, and each member gets a vote.

WHAT IS OTTER CO-OP?

Otter Co-op is the locally owned and operated Co-op founded in Aldergrove, BC. As we have grown, we have expanded with locations throughout the Fraser Valley and BC Interior. Our member/owners are the people who live in these communities and purchase a membership for the one-time fee of \$10. They vote on who they would like our Board of

Directors to be, share in the profits we make, and drive our decisions to invest in the communities we all call home.



WHAT IS THE CO-OP RETAILING SYSTEM?

Otter Co-op is entirely local and, just as our member-owners make up Otter, so too is Otter part of a larger network of Co-operatives called the Co-operative Retailing System (CRS). Every individual Co-op in Western Canada owns Federated Co-operatives Limited which is a wholesale, manufacturing, marketing and administrative Co-operative. Together, we are able to expand our buying power and source, produce, and distribute a large variety of products to our locations. While we are part of a bigger system, we remain locally owned and operated, which means our business decisions are done in the interest of our members right here at home.

OUR MISSION



To Be The
Consumer's
First Choice

OUR VALUES



Integrity



Community



Excellence

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TOGETHER
TOGETHER
TOGETHER

WE ARE A PROFITABLE BUSINESS
WE GIVE BACK TO OUR COMMUNITY
WE ARE CO-OP

HIGHLIGHTS

Despite the difficult economic times affecting retailers, environmental disasters like the BC wildfires, and agricultural complications like Avian Flu, we've been able to...



\$63,600,000+
invested into new and upgraded locations across our organization



\$403,000+
donated in cash, in-kind products, sponsorships and volunteer impact to various local non-profit organizations, charities, farms, and local sporting/recreational teams



13,000+
new members join our Co-op, furthering sustainable growth for the long-term health of our organization



1,000+
employment opportunities offered to British Columbians



📍 Cloverdale Essentials Food Store, Surrey



📍 Dallas Drive Gas Bar, Kamloops



This includes:

- Our new Rutland and Dallas Drive Gas Bars and Car Washes
- Our new Co-op Essentials Food Store in Cloverdale
- Our two new Co-op Cardlocks in Cache Creek and Merritt
- Our newly renovated Angry Otter Liquor @Cambie and @West Railway stores
- Angry Otter Liquor @North Shore moving to their new location
- Angry Otter Liquor @Riverside, @Cherry Lane, and @Capilano joining the Otter Co-op Family
- Rebranding 13 Huskys to Otter Co-op Gas Bars



📍 Cache Creek Cardlock, Cache Creek



📍 Merritt Cardlock, Merritt



Angry Otter Liquor @Riverside, Penticton



Angry Otter Liquor @West Railway, Abbotsford



Angry Otter Liquor @North Shore, Kamloops



Angry Otter Liquor @Cambie, Vancouver



CEO'S REPORT

JACK NICHOLSON, CEO

As we reflect on the 2023 fiscal year, it is impossible to ignore the economic turmoils that have impacted every industry around the globe, including those that Otter Co-op does business within. From supply chain disruptions, fluctuating consumer demand, the fallout of ecological disasters such as the wild fires in BC, the Russia/Ukraine war, rising costs, high interest rates and more, the retail sector has faced unprecedented challenges. Despite these hurdles, I am proud to report that we have not only navigated these turbulent waters but have done so while maintaining our commitment to our team members, communities, and members.

Retailers everywhere have grappled with issues similar to the above and were forced to make difficult decisions, such as layoffs and store closures. Despite the volatility and uncertainty within the market, Otter Co-op ended this past year with sales of \$530 million. As a result of some of the challenges mentioned above, compounded with inflationary pressures and geopolitical tensions straining supply chains, Otter achieved a bottom line of \$1.2 million. Despite the reduction in financial success this past year, I am proud that Otter was able to invest over \$60 million in new locations as well as significant upgrades offering over 70 locations to serve our member/owners while providing over 1,000 career opportunities in our trading area. These investments include new locations to purchase fuel and convenience items, 3 new liquor locations, the upgrade of several of our current gas bar and liquor locations, the building of 2 new cardlock facilities and the construction of a new Food Store in Cloverdale.

Total Food and General Merchandise Division sales grew by 6% over the previous year, ending at \$45.2 million. Sales in the Pharmacy Division grew 4% ending the year at \$5.8 million. Food and General Merchandise sales were negatively impacted by the construction on 248th Street and Fraser Highway that was ongoing throughout the

year, though we are pleased that overall we were able to see growth in this division.

The Feed Division plants in Aldergrove and Armstrong ended the year with sales decreases of 6% due to the outbreak of Avian Flu in the Valley, as well as local consumers no longer having backyard flocks also wiped out by the Avian flu. Avian Flu wiped out 5 million birds during the outbreak in British Columbia. Sales ended the year at \$61.7 million for this division.

In Bulk Petroleum, we finished the year with sales \$73.3 million; which is a 10% decrease from the previous year due to a decrease in petroleum pricing. I am pleased to report that we had a slight increase in litres for the year. The bulk petroleum division is proud to have opened two new locations at the end of the year, adding additional sites to serve our members and guests.

Our Gas Bar Division saw significant sales increases of 31.2%; with an additional 36 million litres with our Husky acquisitions and new location opening in Kelowna as we continue to invest in the future. We ended the year with sales of just over \$232.3 million in this division. These are exceptional results that were continuously financially challenged due to the forest fires, war, and lack of tourism in many of our locations.

2023 was our fifth full year in the liquor business, and we achieved sales increases of 4.4%, ending the year at \$105.6 million. Our sales in liquor were also impacted by the forest fires in the Interior causing temporary store closures and lower sales with less tourism in the area. Otter Co-op purchased an additional 3 liquor locations throughout the year as we continue to add to our diversification and acquire profitable operations to add to Otter's bottom line into the future.

Our Hospitality Division, which includes our 2 pubs in Abbotsford and Surrey, and the Tap & Forno in

North Vancouver, ended with sales of \$5.7 million which is a 61.3% increase over the previous year. Otter continues to look for profitable opportunities such as our pubs and restaurants to grow and add value to our members and bottom line.

In the face of these challenges, our Co-op has demonstrated resilience, adaptability, and integrity throughout our operations. Our strategic initiatives will enable us to thrive in the years to come. We will continue to invest in our people, as our team is the backbone of our company, and their dedication and hard work will continue to drive our success. We are continually undertaking comprehensive reviews of our operations to identify areas where we can improve efficiency and reduce costs without compromising on quality, service or our community impact. Through these efforts, we're seeking out new technologies and processes to help us mitigate the impact of rising costs and maintain our competitive edge.

Understanding the evolving needs of our guests and members has been crucial as we continue to grow. Our leadership team has worked hard to ensure that our prices remain competitive despite continually rising costs, sacrificing profit margins to ensure that our members can continue to fuel their families, farms, and animals. We've expanded our product offerings, and continue to support directly within the communities we live, work and play in. We continue to remain committed to corporate social responsibility and seek to invest in the neighbourhoods we've been blessed to join.

The 2023 fiscal year, though extremely challenging, has been one of resilience and achievement. Our ability to adapt to a rapidly changing environment while staying true to our core values has been key to our success. I extend my heartfelt gratitude to our team, guests, members, and board of directors for their unwavering support. Together, we will continue to build on our strengths and navigate the challenges ahead for the years to come.


Jack Nicholson, CEO



BOARD OF DIRECTORS



CHARLIE FOX
PRESIDENT



SHANNON TODD BOOTH
VICE PRESIDENT



DEANNA HORN
SECRETARY



IAN ELLIOTT
DIRECTOR



BRYAN MCPHERSON
DIRECTOR



CARLO BONETTI
DIRECTOR



BEV DORNAN
DIRECTOR



GUS HARTL
DIRECTOR



JON PLETT
DIRECTOR

PRESIDENT'S REPORT

CHARLIE FOX, BOARD PRESIDENT

On behalf of the Otter Co-op Board of Directors, it gives me great pleasure to report on another successful year for the Otter Co-op organization. The past couple of years have been challenging, as we survived multiple hardships, including but not limited to the global Covid pandemic, the fallout of the 2021 Fraser Valley floods, the Avian Flu which decimated the poultry industry, fires which forced us to shut down several business lines in the Okanagan area for weeks, and the increased costs associated with the upgrades to 14 of the 25 newly acquired Husky gas stations. Despite the financial challenges experienced this year, the organization was able to turn a small profit and continue its growth path to be here for the long term as we work to bring more opportunities to our growing membership.

Our mission is "To be the Consumers First Choice". We strive to be your first choice in all of the business lines we operate in, and aim to share back our profits with the communities we live, work and play in. Our sales for the 2023 fiscal year reached a new record of \$530 million, with a bottom line of \$1.2 million. Retailers across multiple industries are facing challenges like those listed prior, but our board prides ourselves on weathering this storm. Despite a significant reduction in the patronage we are able to share with our members, our Co-op has been able to maintain our community support above \$400,000 a year, invest over \$63,000,000 into our new and existing locations to upgrade our infrastructure, and offer over 1,000 employment opportunities across the province. Our board of directors believes our leadership team will continue to do what's best for the long-term health and viability of our Co-operative and ensure that our team does their utmost to stay true to our mission and goals.

One aspect of the Otter Co-op system and our 'shop local' approach is the continued support of local organizations, groups and initiatives. This past year, Otter Co-op invested over \$403,000 in local organizations in our trading area extending through the lower mainland and B.C. Interior, including sponsorships, donations, scholarships and more. Some 110 organizations directly benefitted from the distribution of these funds. With our expanding trading

area now reaching from Pemberton and Whistler into the Thompson-Okanagan Valley, we recognize the importance of distributing this community support across our entire trading area. The Otter Co-op continues to grow and diversify in the product line offered when opportunity arises. We continued to rebrand and upgrade our acquired Husky locations throughout the 2023 fiscal year, acquired liquor stores in Penticton and North Vancouver, and completed construction on two cardlocks in Merritt and Cache Creek. Thus far in 2024, we've been able to open a new gas bar and carwash in Kamloops as well as our small-format grocery store, Co-op Essentials, in Cloverdale. I am proud of the work the board has done in stewarding the Co-op and approving the previously mentioned projects for our health and sustainability into the future. We continue to look at sustainable opportunities to expand the Co-op brand while offering members the opportunity to receive the benefits and rewards of membership in more locations across our trading area. This past year, we welcomed 13,091 new members to the Otter Co-op family. We appreciate that this growth is important to not only each and every member, but the organization as a whole.

I would like to take this opportunity to thank outgoing Board member Ian Elliott for his past 6 years on the board. Ian is stepping down from the board as his family is planning a move out of the province. During the past 6 years Ian was a valuable board member and participated in many of our growth and diversification talks and votes at the board table, putting forth his views on assisting the Co-op and its' growth and diversification for the future. Thank you, Ian.

On behalf of the Board, I would like to thank each and every member for their support over the past year. We never lose sight of the fact that this is your organization, and you benefit from our leadership and decisions to support your family and wellbeing through our offerings. We look forward to another successful year ahead and hope you make the Otter Co-op your 'go to' place to shop and do business.


Co-operatively,
Charlie

AUDITOR'S REPORT

Opinion

We have audited the financial statements of Otter Farm & Home Co-operative (the "Co-operative"), which comprise the balance sheet as at February 29, 2024, and the statements of general reserve and 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 February 29, 2024, 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:

- 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.

Abbotsford, British Columbia

June 19, 2024

MNP LLP
Chartered Professional Accountants

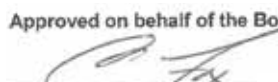


FINANCIAL REPORTS

Otter Farm & Home Co-operative Balance Sheet As at February 29, 2024 (\$ in thousands)

	2024	2023
Assets		
Current		
Cash and cash equivalents	6,264	7,417
Accounts receivable	16,194	13,428
Income taxes recoverable	2,511	2,091
Inventory	30,288	29,288
Prepaid expenses	1,754	802
	57,011	53,024
Investments	33,646	31,493
Property, plant and equipment	127,216	105,204
Other assets	137,868	126,086
	355,741	315,807
Liabilities		
Current		
Accounts payable	38,423	33,984
Customer prepaid accounts	137	346
Current portion of long-term debt	84,142	10,424
	122,702	44,754
Long-term debt	121,535	156,283
	244,237	201,037
Commitments		
Subsequent events		
Members' Equity		
Share capital	26,815	30,778
General reserve and retained savings	84,689	83,992
	111,504	114,770
	355,741	315,807

Approved on behalf of the Board of Directors

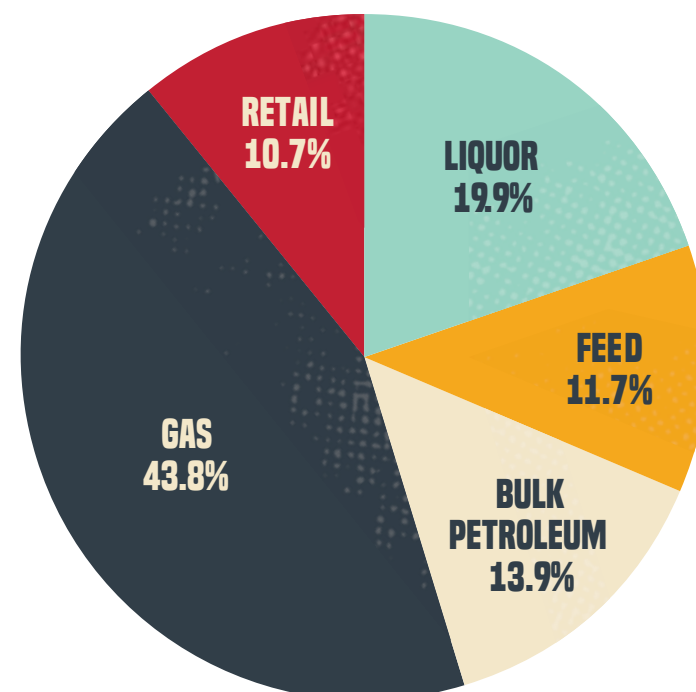

Director


Director

Otter Farm & Home Co-operative Statement of Net Savings For the year ended February 29, 2024 (\$ in thousands)

	2024	2023
Sales	530,016	479,508
Cost of sales	461,530	416,154
Gross margin	68,486	63,354
Operating expenses	75,606	57,482
	(7,120)	5,892
Patronage refunds	10,774	6,972
Loyalty program refunds	6,913	5,389
Savings from operations	10,567	18,253
Other items		
Net interest	(9,361)	(5,074)
Gain on acquisition	-	11,567
	(9,361)	6,493
Savings before income taxes	1,206	24,746
Income tax expense	-	862
Net savings	1,206	23,884

SALES BREAKDOWN BY DIVISION



GIVING BACK

HIGHLIGHTS



\$403,000+

in sponsorships and donations to more than 110 local organizations and non-profits in the communities that we live, work and play in.



\$50,000.00

to Julia's Junction in West Kelowna through our Community Spaces Program.



\$28,500+

was donated to the Canuck Place and Mamas for Mamas from our Fuel Good Day Promotion.



\$130,000+

worth of food products was donated through our Food Donation Program.



\$30,000.00

to support healthcare through the Langley Memorial Hospital Foundation and BC Cancer Foundation.



\$13,000+

to British Columbia's Wildfire Relief.



\$10,000.00

in scholarships to Grade 12 and Mature students.

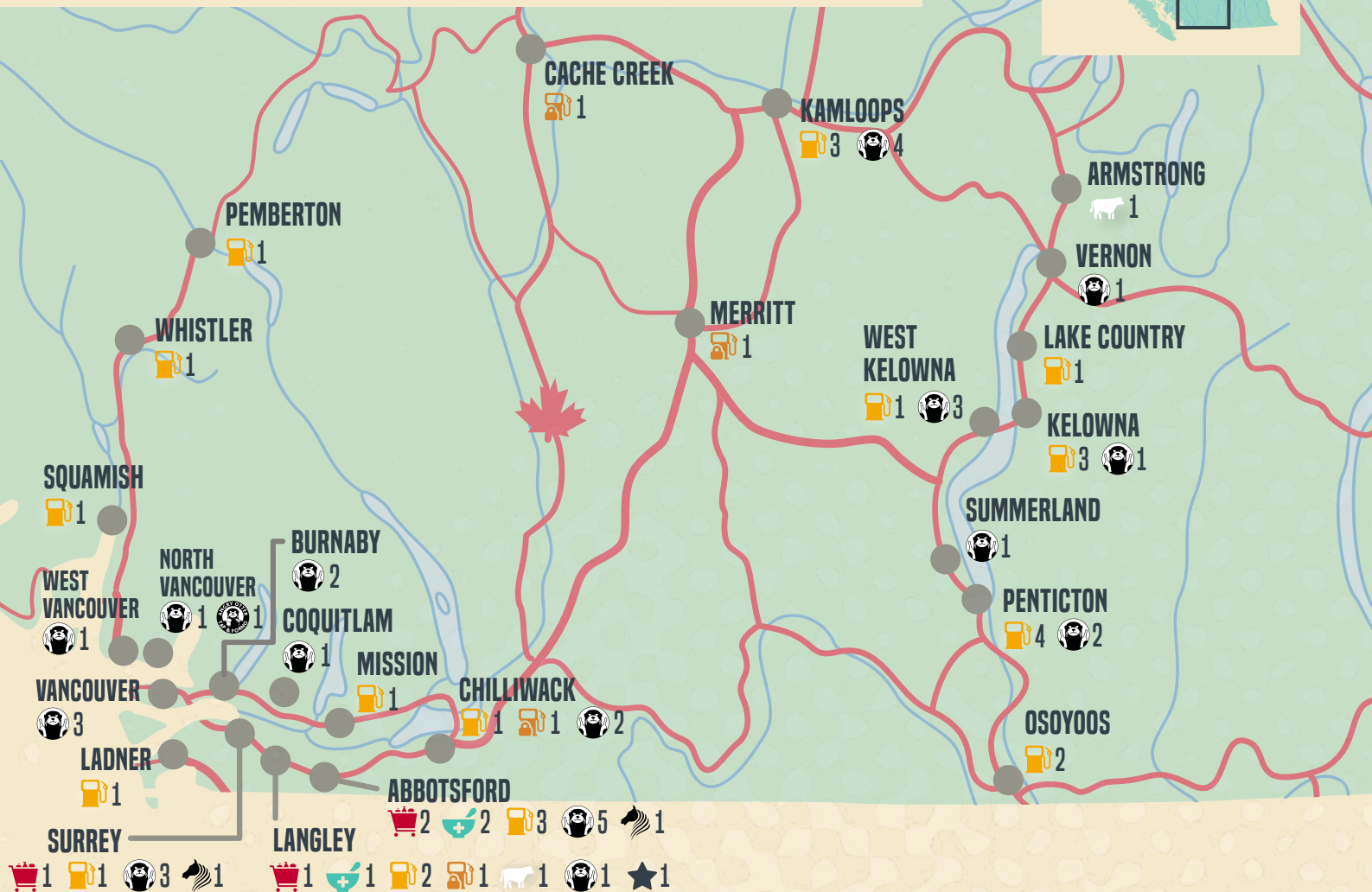
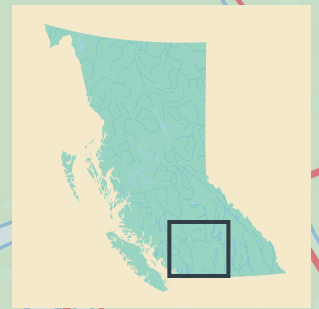


\$7,300+

donated to 4-H Programs.



OUR LOCATIONS



LEGEND



FOOD STORE (4)



PHARMACY (3)



GAS BAR (26)



CARDLOCK (4)



FEED MILL/STORE (2)



ANGRY OTTER LIQUOR (31)



HIGHWAYMAN PUB (2)



ANGRY OTTER TAP & FORNO (1)



ADMINISTRATION (1)



Scan this QR Code
or visit the link for a
list of our locations
categorized by city
bit.ly/OtterLocations