

CANEX
Consolidated Financial Statements
March 31, 2021

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Independent Auditor's Report

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To the Non-Public Property Board

Opinion

We have audited the accompanying consolidated financial statements of Canadian Forces Exchange System (CANEX) (hereafter "the Company"), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of operations, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021, 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 consolidated financial statements" section of our report. We are independent of the Company 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 Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Raymond Chabot Grant Thornton LLP¹

Montréal
October 8, 2021

¹ CPA auditor, CA public accountancy permit no. A125741

CANEX

Consolidated Balance Sheet

March 31, 2021

(In thousands of Canadian dollars)

	<u>2021</u>	<u>2020</u>
	\$	\$
ASSETS		
Current		
Cash	152	146
Due from Canadian Forces Central Fund (Note 8)	10,390	11,948
Accounts and accrued receivable	295	609
Inventory	19,745	25,428
Prepaid expenses	301	786
	<u>30,883</u>	<u>38,917</u>
Long-term		
Property and equipment (Notes 3 and 11)	37,016	40,226
	<u>67,899</u>	<u>79,143</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	4,046	3,300
Current portion of loans payable to Canadian Forces Central Fund (Note 4)	2,903	2,915
	<u>6,949</u>	<u>6,215</u>
Long-term		
Asset retirement obligation (Note 11)	519	507
Loans payable to Canadian Forces Central Fund (Note 4)	37,522	40,384
	<u>44,990</u>	<u>47,106</u>
EQUITY		
Contributed capital	23,280	23,280
Cumulative translation adjustment	(1,450)	(1,031)
Retained earnings	1,079	9,788
	<u>22,909</u>	<u>32,037</u>
	<u>67,899</u>	<u>79,143</u>

Commitments and contingencies (Notes 9 and 10)

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,



Chief Financial Officer

CANEX

Consolidated Operations

Year ended March 31, 2021

(In thousands of Canadian dollars)

	2021	2020
	\$	\$
Sales	108,336	133,025
Cost of sales	88,557	109,609
Gross profit	19,779	23,416
Other revenue (Notes 5 and 8)	11,185	12,455
	30,964	35,871
Expenses		
Payroll and benefits (Note 7)	19,813	21,666
Other operating expenses (Notes 6 and 8)	12,636	15,785
Amortization of property and equipment	5,059	5,230
Interest on loans payable to Canadian Forces Central Fund	1,676	1,631
	39,184	44,312
Loss before royalties and contributions	(8,220)	(8,441)
Royalties and contributions (Note 8)	(489)	(3,623)
Net loss	(8,709)	(12,064)

The accompanying notes are an integral part of the financial statements.

CANEX

Consolidated Retained Earnings

Year ended March 31, 2021

(In thousands of Canadian dollars)

	<u>2021</u>	<u>2020</u>
	\$	\$
Balance, beginning of year	9,788	21,852
Net loss	(8,709)	(12,064)
Balance, end of year	<u>1,079</u>	<u>9,788</u>

The accompanying notes are an integral part of the financial statements.

CANEX

Consolidated Cash Flows

Year ended March 31, 2021

(In thousands of Canadian dollars)

	<u>2021</u>	<u>2020</u>
	\$	\$
OPERATING ACTIVITIES		
Net loss	(8,709)	(12,064)
Non-cash items		
Amortization of property and equipment	5,059	5,230
Loss on disposal of property and equipment	6	4
	<u>(3,644)</u>	<u>(6,830)</u>
Net change in non-cash working capital items (Note 13)	<u>8,786</u>	<u>752</u>
Cash flows from operating activities	<u>5,142</u>	<u>(6,078)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment and cash flows from investing activities	<u>(1,855)</u>	<u>(3,080)</u>
FINANCING ACTIVITIES		
Proceeds from the issuance of loans payable to Canadian Forces Central Fund	323	5,765
Repayment of loans payable to Canadian Forces Central Fund	<u>(3,197)</u>	<u>(2,724)</u>
Cash flows from financing activities	<u>(2,874)</u>	<u>3,041</u>
Net increase (decrease) in cash	413	(6,117)
Cash, beginning of year	146	5,933
Effect of foreign exchange rate on cash	<u>(407)</u>	<u>330</u>
Cash, end of year	<u>152</u>	<u>146</u>

The accompanying notes are an integral part of the financial statements.

CANEX

Notes to Consolidated Financial Statements

March 31, 2021

(In thousands of Canadian dollars)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

CANEX is a commercial activity of Canadian Forces Morale and Welfare Services (CFMWS) operating under the authority of the Chief of the Defence Staff (CDS) in his Non-Public Property (NPP) capacity.

In Canada, business consists of merchandising operations at Canadian Forces bases, wings and units, and on-line operating under the name CANEX. In Germany, similar businesses are operated at the North Atlantic Treaty Organization Air Base at Geilenkirchen (hereafter the "NATO Air Base") under the name NATEX, in accordance with the concession contract (hereafter the "NATEX contract") between CANEX and the NAEWF E-3A Component headquarters. CANEX also operates an automotive sales transaction office in Germany under the name AMSTO.

CANEX distributes royalties through CFMWS to the bases, wings and units in which CANEX operates. NATEX distributes royalties to the NATO Air Base in accordance with the NATEX contract.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises.

Principles of consolidation

These consolidated financial statements include the accounts of CANEX and its controlled subsidiaries, NATEX and AMSTO (collectively hereafter "CANEX" or "the Organization"). All significant transactions and balances between these entities have been eliminated.

Inventory

Inventory, which is composed of retail products, is recorded at the lower of cost and net realizable value. The cost method for inventory is substantially determined using average cost. Net realizable value is the estimated selling price in the ordinary course of operations less the estimated costs necessary to make the sale, which corresponds to the direct cost of the inventory.

Property and equipment

Property and equipment are initially recorded at cost and are then amortized over their estimated useful lives according to the straight-line basis at the following annual rates.

	<u>Rates</u>
Buildings	5%
Motor vehicles and computer equipment	25%
Point of sale system	17%
Fixtures and equipment	12%
Building improvements	9%

CANEX

Notes to Consolidated Financial Statements

March 31, 2021

(In thousands of Canadian dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Work in progress is amortized when the asset is substantially completed.

Impairment

Property and equipment are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying value of a long-lived asset over its fair value.

Asset retirement obligation

Asset retirement obligation relates to estimated future costs to remove underground motor fuel storage tanks and are based on CANEX's prior experience in removing these fuel tanks, the fuel tanks' estimated useful lives, external estimates and governmental regulatory requirements. A discounted liability is recorded for the fair value of an asset retirement obligation with a corresponding increase to the carrying value of the related long-lived asset at the time an underground storage fuel tank is installed. To determine the initial recorded liability, the future estimated cash flows are discounted at a rate representing the Canadian Forces Central Fund (CFCF) banking facility and local banking arrangement rates, taking into consideration inflation. The amount added to property and equipment is amortized.

Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased to reflect the passage of time and then adjusted for variations in the current market based discount rate or the scheduled underlying cash flows required to settle the liability.

Employee future benefits

CANEX participates in the Canadian Forces Non-public Funds Employees Pension Plan (hereafter "the Plan"), which is a multiemployer, contributory, defined benefit plan. The Plan provides retirement benefits relating to contributions and years of service of staff of all Non-public Funds. Substantially all CANEX employees are eligible to the Plan.

CANEX's portion of the Plan is accounted for as a defined contribution plan as there is insufficient information available to use defined benefit plan accounting. As a result, CANEX's contributions to the Plan are included as an expense in consolidated operations. A pension asset has not been recorded in the consolidated balance sheet.

Revenue recognition

The Company's principal sources of revenue comprise the sale of merchandise, concession revenue and Personal Insurance Company revenue. Revenue is recognized when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;

CANEX

Notes to Consolidated Financial Statements

March 31, 2021

(In thousands of Canadian dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The price to the buyer is fixed or determinable;
- Collection is reasonably assured.

Revenue from the sale of merchandise is recorded on acceptance by the customer. CANEX records revenue from Canadian sales under its credit plan when the customer takes possession of the merchandise and collectibility is assured. Credit plan balances are transferred to the CFCF.

The concession revenues are from concessions on the basis of agreements established between CANEX and each individual concessioner. Revenue is, therefore, recorded in line with the terms of the agreements, which include straight-line or variable basis. Where revenue is contingent on a variable, CANEX records an accrual and, upon the receipt of the concessionaire's results, CANEX will then record a subsequent true-up.

The Personal Insurance Company revenues are commission income which are recognized on the effective date of the policies when the customer has accepted the policy or has not sent modification that the policy will not be renewed.

Income taxes

In common with other non-public funds, CANEX is exempt from paying income tax under Part 1 of the Income Tax Act.

Foreign currency translation

Functional currencies

Items included in the consolidated financial statements are measured using the currencies of the primary economic environment in which the entities operate (the functional currencies). The functional currency of NATEX and AMSTO is the euro. NATEX and AMSTO are considered self-sustaining foreign operations.

NATEX and AMSTO's assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the consolidated balance sheet date. NATEX's and AMSTO's revenues and expenses are translated at the exchange rate in effect on the dates on which such items are recognized in earnings (loss) for the year. Gains and losses resulting from the translation of the accounts of NATEX and AMSTO are recorded as translation adjustments in a separate component of equity.

Foreign currency transactions and balances

Foreign currency transactions are translated into functional currencies using the exchange rate in effect at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the consolidated balance sheet date. An exchange gain or loss that arises on a translation or settlement is included in the determination of net earnings (loss) for the year.

CANEX

Notes to Consolidated Financial Statements

March 31, 2021

(In thousands of Canadian dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements and notes to consolidated financial statements. These estimates are based on management's knowledge of current events and actions that CANEX must undertake in the future. Actual results may differ from these estimates.

3 - PROPERTY AND EQUIPMENT

	2021		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Buildings	51,480	29,040	22,440
Motor vehicles and computer equipment	2,463	2,327	136
Point of sale system	9,959	6,072	3,887
Fixtures and equipment	9,370	8,688	682
Building improvements	25,062	18,161	6,901
Work in progress	2,970		2,970
	<u>101,304</u>	<u>64,288</u>	<u>37,016</u>
			2020
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Buildings	51,629	27,102	24,527
Motor vehicles and computer equipment	2,455	2,342	113
Point of sale system	10,081	4,787	5,294
Fixtures and equipment	9,653	8,867	786
Building improvements	25,361	17,149	8,212
Work in progress	1,294		1,294
	<u>100,473</u>	<u>60,247</u>	<u>40,226</u>

CANEX

Notes to Consolidated Financial Statements

March 31, 2021

(In thousands of Canadian dollars)

4 - LOANS PAYABLE TO CFCF

Loans payable to CFCF bear interest at a fixed rate of 4% (4% as at March 31, 2020) per annum and are unsecured. Principal repayments over the next years are as follows:

	\$
Years ending March 31, 2022	2,903
2023	2,940
2024	2,974
2025	2,988
2026	2,866
Thereafter	25,754
	<u>40,425</u>
Less: current portion	2,903
Long-term portion	<u><u>37,522</u></u>

5 - OTHER REVENUE

	2021	2020
	\$	\$
Concessions	3,132	4,716
Insurance & banking royalties	5,170	4,579
Interest income NATEX and AMSTO	843	
Other NATEX and AMSTO	321	516
Other commission (duty free, post office)	496	731
Home heating oil	61	232
Rental and delivery	436	300
Miscellaneous	361	465
Advertising	28	66
CF appreciation	337	850
	<u>11,185</u>	<u>12,455</u>

6 - OTHER OPERATING EXPENSES

	2021	2020
	\$	\$
Support services user fees (accounting, information technology, human resources)	3,285	3,309
Service (cleaning, delivery, consulting)	2,944	3,303
Facilities	1,719	2,176
Marketing and advertising	1,841	1,760
Fees (recycling, credit card, terminal)	1,238	1,530
Other (doubtful accounts, supplies, travel, equipment)	1,609	3,707
	<u>12,636</u>	<u>15,785</u>

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Notes to Consolidated Financial Statements

March 31, 2021

(In thousands of Canadian dollars)

7 - PENSION PLAN

CANEX's share of contributions to the Plan was \$794 (\$786 in 2020) and is included in the payroll and benefits expense in consolidated operations.

Extrapolations of an actuarial valuation prepared as at December 31, 2020 indicated the following information about the overall Plan:

	December 31, 2020	December 31, 2019
	\$	\$
Fair value of plan assets	438,670	415,364
Accrued benefit obligation	<u>(350,681)</u>	<u>(315,227)</u>
Surplus	<u>87,989</u>	<u>100,137</u>

Under the going concern basis, this valuation compares the relationship between the value of the Plan's assets and the present value of the expected future benefit cash flows in respect of accrued services, assuming the Plan will be maintained indefinitely. Under this scenario, the valuation resulted in a surplus of \$80,500 (\$91,470 in 2019).

Conversely, under the hypothetical solvency (or windup) basis, the Plan is assumed to be wound up and settled on the valuation date, assuming benefits are settled in accordance with the existing taxation rules and under circumstances producing the maximum windup liabilities on the valuation date. This valuation resulted in a deficit of \$83,400 (\$48,460 in 2019).

These valuations are utilized to assess monthly and annual employer contributions.

8 - RELATED PARTY TRANSACTIONS

Transactions with related parties were concluded in the normal course of operations and are measured at the exchange amount, which is the amount established and agreed to by the related parties.

CFCF, which provides banking services and financial assistance to NPP activities at bases, wings and units as well as to CANEX, also operates under the authority of the CDS in his NPP capacity. Due from CFCF totals \$10,390 (\$11,948 in 2020) and comprises interest and non-interest bearing funds:

	2021	2020
	\$	\$
Interest bearing	24,581	24,581
Non-interest bearing	<u>(14,191)</u>	<u>(12,633)</u>
Total	<u>10,390</u>	<u>11,948</u>

Interest bearing relates to due from CFCF previously held by NATEX and AMSTO. These funds receive interest at a rate of 3%. Interest earned from CFCF of \$842 (nil in 2020) is included in other revenue.

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Notes to Consolidated Financial Statements

March 31, 2021

(In thousands of Canadian dollars)

8 - RELATED PARTY TRANSACTIONS (Continued)

Non-interest bearing relates to CANEX operations and is due from/to CFCF on demand.

CFCF assumes all trade payables from CANEX for consideration at their fair value. In addition, the risks and rewards of receivable collection related to the credit plan and other trade receivables are assumed by CFCF for a consideration at their fair value. All credit plan balances and other trade receivables and all trade payables are assumed by the CFCF at fair value. At year-end, CANEX recorded a provision of 1% for the estimate of potential future losses on the credit plan receivable balance (1% as at March 31, 2020). Fees charged by CFCF amount to \$524 (\$588 in 2020).

Royalties and contributions

CANEX contributed an amount of nil (\$3,152 in 2020) to enhance NPP Morale and Welfare Programs at Canadian Forces bases, wings and units.

NATEX contributes \$489 (for an amount of \$470 in 2020) to the NATO Air Base. NATEX's contributions are based on various percentages of consumer sales, in accordance with the NATEX contract.

Department of National Defence

Department of National Defence (DND), a Canadian government department, provides certain facilities and land. It also pays for and provides other services on behalf of, and at no cost to, CANEX. These services include payment in lieu of taxes and the use of legal, environmental and other advisory services. The fair value of the facility and services provided to CANEX by DND has not been determined and, therefore, has not been recorded in the consolidated financial statements.

DND's contributions of \$2,732 (\$2,716 in 2020) toward payroll costs, travel and supplies are included in consolidated operations.

DND's contributions of \$1,737 (nil in 2020) toward a wage subsidy due to CANEX store closures and reduced operations are included in consolidated operations.

Canadian Forces Morale and Welfare Services

The CFMWS provides accounting, information technology, and human resources services to CANEX. These transactions occurred in the normal course of operations and are recorded in other operating expenses at the exchange amount of \$3,300 (\$3,309 in 2020). This is the amount of consideration established and agreed to by the related parties.

CANEX

Notes to Consolidated Financial Statements

March 31, 2021

(In thousands of Canadian dollars)

9 - COMMITMENTS

CANEX is committed to minimum annual payments for the next five years under motor fuel supply agreements as follows:

	\$
Years ending March 31, 2022	6,385
2023	3,937
2024	3,236
2025	2,492
2026	1,133
	<u>17,183</u>

10 - CONTINGENCIES

In December 2016, a gas leak was discovered at the 4 Wing Cold Lake CANEX gas station and reported to Environment Canada in January 2017. Public support is anticipated for environmental remediation. CFMWS claims environmental insurance coverage of \$5,000 per incident, \$5,000 aggregate with a \$25 deductible with Chubb Insurance Company of Canada as a safeguard, which would cover CANEX gas stations. The CANEX deductible would be limited to \$5 as CFMWS is the holder of the policy.

Due to the uncertainty of a possible financial exposure relating to the Cold Lake leakage, CANEX has concluded that the occurrence of this contingency is not determinable at this time and any eventual liability cannot be reasonably estimated. Therefore, no liability has been recorded within CANEX's consolidated financial statements.

11 - ASSET RETIREMENT OBLIGATION

The discounted value of the asset retirement cost included in the buildings category of property and equipment is estimated at \$325. The amortization of this asset has generated an expense of \$21 in 2021 (\$21 in 2020). The total undiscounted amount of estimated cash flows to settle the asset retirement obligation is approximately \$720 (discounted value of \$519) and is expected to be incurred over the next 23 years. Should changes occur in estimated future removal costs, fuel tank useful lives or governmental regulatory requirements, revisions to the liability shall be made. Of the total liability recorded in the consolidated balance sheet as at March 31, 2021, no amount is expected to be paid within the next 12 months.

During the year, no amount (nil in 2020) was paid toward the retirement of fuel tanks.

CANEX

Notes to Consolidated Financial Statements

March 31, 2021

(In thousands of Canadian dollars)

12 - FINANCIAL RISKS

Credit risk

CANEX provides credit to its customers through its credit plan. CANEX has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. Credit plan balances are transferred to the CFCF. The amount outstanding on the CANEX credit plan due to the CFCF is \$52,416 (\$58,668 in 2020).

Market risk

CANEX's financial instruments expose it to market risk, in particular, to currency risk and interest rate risk, resulting from its operating, investing and financing activities.

Currency risk

As at March 31, 2021, included in other expenses is a foreign exchange gain of \$111 (\$58 as at March 31, 2020). The carrying amounts of CANEX's foreign currency denominated balances are as follows:

	2021		Current assets	
	€	\$	€	\$
NATEX	2,866	4,230	3,435	5,353
AMSTO	2,045	3,018	1,679	2,617

	2021		Current liabilities	
	€	\$	€	\$
NATEX	245	362	239	373
AMSTO	26	39	12	19

Interest rate risk

CANEX is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed and variable interest rates.

The loans payable to CFCF bear interest at a fixed rate and CANEX is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The amount due from (to) CFCF bears interest at a variable rate and CANEX is, therefore, exposed to the cash flow risk resulting from interest rate fluctuations.

Liquidity risk

Liquidity risk represents the risk that CANEX could encounter difficulty in meeting obligations associated with its financial liabilities. CANEX is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized on the consolidated balance sheet.

CANEX

Notes to Consolidated Financial Statements

March 31, 2021

(In thousands of Canadian dollars)

13 - NET CHANGE IN WORKING CAPITAL ITEMS

	<u>2021</u>	<u>2020</u>
	\$	\$
Due from CFCF	1,558	(131)
Accounts and accrued receivable	314	181
Inventory	5,683	2,071
Prepaid expenses	485	(39)
Accounts payable and accrued liabilities	746	(1,330)
	<u>8,786</u>	<u>752</u>

14 - NATEX AND AMSTO OPERATIONS

Included in the consolidated financial statements of CANEX are the results of operations for NATEX and AMSTO. The financial information for NATEX and AMSTO is summarized as follows:

	<u>2021</u>		
	€	\$	%
Total assets	5,320	7,851	12
Sales and other revenue	7,706	11,888	10
Earnings before royalties and contributions	(3)	(4)	-
			<u>2020</u>
	€	\$	%
Total assets	5,619	8,757	11
Sales and other revenue	9,058	13,396	9
Earnings before royalties and contributions	(688)	(1,018)	12

15 - COVID-19 PANDEMIC

In March 2020, the decree of a COVID-19 state of pandemic and the numerous measures put in place by the government had impacts on CANEX's operations. These measures, which include the implementation of travel bans, self-imposed quarantine periods, restrictions on retail services and social distancing, have caused material disruption to businesses globally and led to economic slowdowns. Canada faced two major COVID-19 outbreaks, in Spring and Fall 2020, leading to aggressive restrictions by provinces and, as a result, significantly impacting CANEX retail services and programs due to reduced operating hours, concessionaire closures and restriction of which goods and services could be offered to the members. The net result of these restrictions has been a reduction of topline sales, revenue and profits. As Canada slowly recovers from a third wave, which started in mid-February 2021, it is not possible to reliably estimate the length and severity of the most recent developments, with several COVID variants currently circulating globally, which may further restrict and impact CANEX retail services, programs and operations in the near future.

CANEX

Notes to Consolidated Financial Statements

March 31, 2021

(In thousands of Canadian dollars)

16 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year. There is no impact on the consolidated operations; these are only reclassifications on the consolidated balance sheet. The main reclassifications as at March 31, 2020 and for the year then ended are as follows: \$5,125 in NATEX was reclassified from cash to due from CFCF; \$1,455 in loyalty points reclassified from due from CFCF to accounts payable and accrued liabilities; \$507 in ARO reclassified from due from CFCF to accounts payable and accrued liabilities; \$449 reclassified in parkland invoices from due from CFCF to accounts payable and accrued liabilities.