



2024

Rooted in Tradition,
Growing for Tomorrow



Photo Credit: Kate Vanhie
Title: 'On This Harvest Moon'

Contents

Messages from Leadership

Board of Directors President, Henry Vander Burgt	04
Chief Executive Officer (CEO), Brad Chandler	06

Leadership

Board of Directors	08
Executive Committee	09

Fiscal Year

2023 - 2024 Highlights	10-11
Here we grow again!	12-13

Reports

Division Reports	14-23
Auditor's Report	24-25

Statements

Financial Statements	26-50
----------------------	-------



Proud to be Farmer Owned

On the cover

Winner of the 2024 Photo Contest

Photo Credit: Taralyn Cronin - Walton, Ontario

Title: 'New Age Crop Tour'

A Message from the President

Our theme for this year's annual report is **"Rooted in Tradition, Growing for Tomorrow,"** which I believe encapsulates the essence of what makes Hensall Co-op a remarkable institution in the lives of its members and in the broader agricultural landscape.

Hensall Co-op's journey began in a time when the world was very different from what we know today. Established in 1937, it was founded by a group of dedicated farmers who recognized the need for a cooperative that would not only support their immediate needs but also create a sustainable path for future generations. This was a time when agriculture was deeply personal and profoundly local. Farmers knew each other, relied on one another, and their collective strength was their greatest asset.

Our tradition is deeply entwined with those values of community, collaboration, and mutual support. These values are not merely a part of our history; they are the very fabric of our operations. They are reflected in our decision-making processes, our commitment to local communities, and our dedication to creating value for our members. Every grain of grain, every container of beans, and every service we offer is grounded in these time-honoured traditions. In today's environment that is riddled with volatility, we remain committed to solving problems for the agricultural community as they face uncertainty. Problems such as a shortened harvest season are no match for our employees and their tradition of service.



A handwritten signature in black ink that reads "H Vander Burgt". The signature is fluid and cursive, with a long horizontal stroke at the end.

Henry Vander Burgt
President,
Board of Directors

While our roots are crucial, we continue to embrace the future with the same vigour and enthusiasm that characterized our beginnings. Growing for tomorrow means being forward-thinking, innovative, and adaptable. It means taking the core principles that have guided us and applying them to the challenges and opportunities of today.

As we look ahead, we see a landscape that is rapidly evolving. Technological advancements, weather volatility, and shifting market dynamics present both challenges and opportunities. At Hensall Co-op, we are committed to not only adapting to these changes but also leading the way in driving positive transformation within the agricultural sector.

Establishing strong relationships with global food manufacturers continues to open up opportunities for our farmer members by connecting them to broader markets and enhancing their growth potential. These partnerships have led to better access to international supply chains through our own Hensall Global, and have allowed farmers to sell their products on a global scale with more value retained in their farming operation.

Another way we are growing for tomorrow is through the adoption of cutting-edge technologies. We have embraced Artificial Intelligence to improve colour sorting in our processing facilities and we have invested in the tools that allow for seamless real-time information exchange, both from machine to machine and from machine to people. Our focus on machine connectivity and real-time analytics is part of a broader strategy to remain competitive, adaptable, and responsive. By aligning with the right technology partners, we can benefit from economies of scale, receive valuable technical support, and gain insights into global market trends, thereby boosting our competitiveness and resilience in an increasingly interconnected world.

Our approach to growth also encompasses expanding our services and offerings to better meet the needs of our members. This includes exploring new markets, diversifying our product lines, and enhancing our logistical capabilities. For example, in November, we acquired Minn-Dak Growers. This acquisition represented geographic expansion into the Western United States and product expansion into new products such as buckwheat and mustard. Hensall Global successfully increased volumes on their South America and Middle East ocean container programs, demonstrating an ability to grow and expand in key global markets.

By continuously evolving our business model, we ensure that Hensall Co-op remains a vital and dynamic force in the industry.

Central to our vision of growing for tomorrow is our unwavering commitment to community. Our success is intertwined with the success of our members and the well-being of the communities we serve. We are proud of our investments in local communities with over \$15 million in capital spending at our existing locations and very pleased to sponsor community initiatives. Our Strong Communities Initiative received over 50 applications leading to donations of over \$30,000 to 7 recipients from across our trading area. The Bright Futures Scholarship provides post-secondary scholarships to students who have shown a career interest in agriculture or a field or trade that will advance rural communities and economies.

The strength of our cooperative lies in the collective power of our members. By working together, we can achieve more than we could alone. Our collective efforts drive innovation, enhance our services, and create a more vibrant and resilient agricultural ecosystem. This year we are once again reporting revenues in excess of \$1 billion. The spirit of partnership and mutual support will propel us further forward and ensure our continued success.

As we move forward, it is essential that we remain mindful of the legacy we are building. We have a duty

to honour the past by upholding the values that led to our success and by ensuring that our actions today contribute to a better future for our members.

Each success, whether large or small, is a testament to the hard work and dedication of our members and staff. I want to acknowledge our staff's accomplishments – your shared commitment to excellence inspires others to strive for greatness. Thank you for your dedication to our members.

The journey of Hensall Co-op is a remarkable story of tradition and progress. We are rooted in a rich history of collaboration, community, and resilience, and we are committed to growing for tomorrow with innovation, hard work, and unwavering dedication. Our strength lies in our ability to honour our past while embracing the future with optimism and determination.

To our members: Thank you for your continued support and for being an integral part of the Hensall Co-op family. Here's to a future that is as rich in tradition as it is full of promise.



Pictured: Expansion at our Drayton, ON location, includes two new concrete silos, that were completed in time for the 2024 harvest.

A Message from the CEO

For over 85 years, Hensall Co-op has been grounded in our commitment to our members, our employees, our communities, and our core values. More than ever, we are **“Proud to be Farmer Owned”** and we honour that statement, and the traditions associated with it as we focus on profitable growth through innovation and collaboration in looking towards the future of your Co-op.

Amid unprecedented challenges, 2024 has been another year of growth for Hensall Co-op. We’ve seen expansion in our IP and dry bean acres which strengthens our foothold in critical food markets while delivering more value to our farm members and customers. Vertical integration which has grown through the acquisitions of Gentec in the dry bean seed space and Minn-Dak Growers in buckwheat and mustard processing, has strengthened and diversified Hensall Co-op’s global supply chain.

However, we do not rely solely on acquisitions to grow. The expansion of our Hensall Global Truck and Trailer Repair Shop has added another layer of efficiency and service to our operations. This past year we have added an additional 15,000 metric tonnes of storage across Hensall Co-op locations to better serve our members and customers. New storage capacity means greater efficiency, reduced costs, and improved member service.



A handwritten signature in black ink, appearing to read 'Brad Chandler', written over a white background.

Brad Chandler
Chief Executive Officer,
Hensall Co-op

Innovation is one of Hensall’s core values. Everything we do is technology-driven. From enhancing logistics to optimizing the value chain, technology plays a crucial role in ensuring that we operate efficiently and stay ahead of market trends. Whether through the application of precision farming techniques in the field or using artificial intelligence to colour sort in our processing facilities, we’re investing in innovation and technology to power our growth.

At the same time, operational excellence remains a top priority to ensure that we remain globally competitive and capable of meeting future demands. Our focus on machine connectivity and real-time analytics is part of our broader strategy to be adaptable, and responsive in a rapidly evolving industry. These tools not only streamline our logistics and supply chain but also empower our teams with the real-time data they need to make informed decisions quickly. Whether it’s monitoring equipment in our facilities, on the road or in your fields, tracking grain and feed inventories, or providing immediate updates to our members, these systems ensure that information flows freely and accurately across the value chain. This investment means fewer delays, better resource allocation, and ultimately, the creation of greater value for our members and customers.

In addition to the application of appropriate technology, our supply chain optimization efforts have enhanced our customer service, ensuring that members get what they need when they need it. We continue to evaluate our location footprints to effectively balance the needs of our producers’ ever-expanding operations with the economies of scale offered by consolidating certain operations. This strategic approach allows us to optimize our operational efficiency while ensuring that we remain responsive to the specific needs of our members and the markets we supply. The ongoing assessment helps us to identify opportunities for areas of growth and enables us to adapt to changing market conditions. By leveraging the benefits of economies

of scale while maintaining a close connection to our producers, we can create a sustainable business model that supports our organization, our members, and the communities we serve.

By combining certain services across our business offerings, we're also creating delivery and service efficiencies that benefit all our business units and our members at the same time. By offering combined services, we can provide our members with a one-stop-shop for their needs. This convenience can lead to more value on the farm as they benefit from tailored solutions that address multiple aspects of their operations simultaneously.

Financially, Hensall Co-op continues its tradition of strength. Notwithstanding, commodity price decreases, we are once again reporting revenues of more than \$1 billion, we generated cash from operations in excess of \$20 million and had earnings before income taxes of \$11.6 million. We have improved our focus on debt and expense management with a capital investment strategy that ensures that every dollar is put to work to create long-term value for our members. Our commitment is to maximize the return on member equity. As a cooperative, we take our commitment to providing returns to our members very seriously. In addition to providing value through our products and services, we distributed \$17.25 million, to our members in the form of interest and patronage.

At Hensall Co-op, we believe that sustainability isn't just a responsibility — it's an opportunity. We are incorporating environmentally sustainable practices across all our operations, from applying sustainable crop practices and products to measuring and reducing energy use and waste within our operations. Our community engagement initiatives such as our Strong Communities Initiative, our Bright Futures Scholarships and our continued support of local hospitals, hospices, rural community venues and agriculture societies throughout Ontario and Manitoba highlight our commitment to our local communities. By giving back to the communities that have supported us, we ensure that our success benefits everyone.

None of our success would be possible without the people who make up Hensall Co-op – our employees. We thank them for their dedication to our members and commitment to create value and innovate. We're deeply committed to improving the lives of our employees. Succession planning and leadership development are helping us to prepare the next generation of business and operational leaders that will take this organization into the future. Our recruitment initiatives that explore non-traditional channels will ensure that we attract top talent who share our values and vision.

We are focused on enhancing member value by constantly working to expand our portfolio in key agricultural and commercial markets. By monitoring consumer trends and driving the appropriate innovations in products and services, our goal is to ensure that Hensall Co-op remains competitive, relevant, and poised for long-term success.

I close with a message to the members and customers of Hensall Co-op — As I reflect on our traditions and look forward to the future growth of Hensall Co-op, I want to take a moment to express our heartfelt gratitude for your unwavering trust and support. Your loyalty and engagement empower us to continually innovate and improve our offerings, ensuring we meet your needs effectively. We look forward to growing together and creating even more value in the years to come.



Pictured: Our Tilbury, ON location added a new 6,000 sq.ft. Seed & Crop Protection warehouse to accommodate growth.

Board of Directors

2023-2024 Fiscal Year



Back Row L-R:

Carol Leeming, Seaforth; **Ed Van Miltenburg**, Seaforth; **Jason Wagg**, Formosa;
Sebastian Kraft, Dungannon; **Dianne Brekelmans**, Thamesford; **Marlene Munn**, Hensall

Front Row L-R:

Terry VanderWal (Past President), Denfield; **Henry Vander Burgt (President)**, Dashwood;
Aise Van Beets (Vice President), Bayfield; **Rob Cornelis (Secretary)**, Ailsa Craig

Executive Committee

2023-2024 Fiscal Year



Back Row L-R:

Joey Groot, Chief Operating Officer; **Jim Barclay**, General Manager of Farm Services;
Jerry Groot, General Manager of Grains and Animal Nutrition; **Brad Grabham**, General Manager of Food Products & Strategic Business Development

Front Row L-R:

Joel Boughen, Corporate Controller; **Brad Chandler**, Chief Executive Officer;
Brad Borland, President, Hensall Global

Highlights From Fiscal Year 2023-2024

- Double digit growth in Crop Protection and Seed Revenues
- 16% increase in propane volume
- Second consecutive year of record domestic freight brokerage volumes with an 11% increase
- Continued growth in truck and trailer repair with a 3% increase in activity and expanded truck shop working space from 9,000 to 21,000 square feet
- In the face of declining commodity prices increased edible beans and feed revenue by 2.4%
- Grew fertilizer volume by 9%
- Ready-made meal products saw growth in both retail and the food service sectors
- Sold our IP soybeans to new end users in Asia
- Sustained over \$1 billion in revenue for two consecutive years
- Generated over \$20 million in cash from operations
- Distributed \$17.25 million to members in patronage dividends and interest on member loans
- When the weather cleared after our wet October, close to 75% of the corn harvest was completed in one week
- Invested more than \$15.5 million in capital projects at our existing facilities
- Utilizing Artificial Intelligence technology to improve the capability of our colour sorters
- Approved a \$600,000 investment in the poultry feed area to update our Feed Mill in Clinton, ON
- Expanded into the United States with the acquisitions of Gentec, to solidify access to premium-grade dry bean seeds and Minn-Dak Growers to process complimentary commodities including mustard and buckwheat



Photo Credit: Reuben DeJong



Photo Credit: Maggie Thompson



Photo Credit: Alex Regier



Photo Credit: Carolyn Van Sligtenhorst

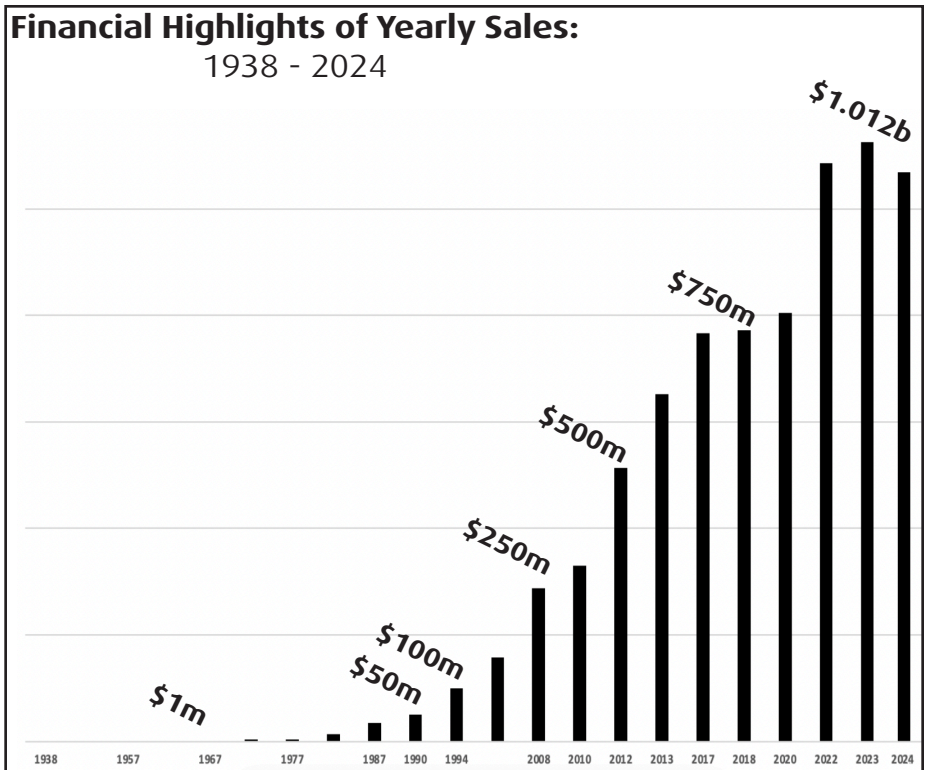


Photo Credit: Michele Hodgert

Proud to be Farmer Owned



Photo Credit: Heidi Gross



Here we grow again!



Hensall Co-op is pleased to announce the acquisition of Gentec Inc., a dry bean seed and research enterprise

located in Idaho, USA. This strategic move underscores Hensall Co-op's dedication to expanding its value-added product portfolio while diversifying its growing areas, solidifying its members and customers access to premium, high quality seed offerings.

For the past four decades, Gentec Inc., under the steadfast stewardship of the Butcher family, has exemplified a commitment to providing top-tier dry bean seed products and fostering ground-breaking varietal developments. A cornerstone of their mission has been cultivating enduring relationships with growers and seed clients, coupled with a pledge to deliver the highest quality seed with unmatched service

The integration of Gentec Inc. fortifies a strategic alignment between two leaders in the dry bean agricultural sector, both driven by a shared vision of agricultural excellence. Hensall Co-op has a long-standing reputation for creating value for its members through its value-added food contracts, diversified agricultural products and services, which complements Gentec Inc.'s sterling reputation

for producing top-quality dry bean seeds. Gentec Inc., which is 100% focused on the production of edible bean seed, will be operated as a stand-alone company outside of Hensall Co-op, similar to Hensall Global and Hensall Foods. This marks our first USA acquisition which is quite exciting in its own right!

Why did we acquire Gentec Inc.?

- Seed security – by owning the entire process, from seed to harvest, it provides us the assurances that we will have the seed to contract the acres
- Will allow new opportunities to secure new genetics for expanding our food grade footprint
- Investment in seed research and development

Why Idaho and not Ontario?

- Idaho is known around the world as the best source of disease-free edible bean seed
- Annual precipitation is less than 10 inches, and boasts a long growing season with rich volcanic soils and clear mountain water for irrigation
- Strict quality measures are already in place, for example: Soybeans are not allowed to be grown in the state of Idaho



Hensall Co-op also acquired Minn-Dak Growers Ltd. (Minn-Dak), which is a processor and supplier of specialty crop food ingredients located in Grand Forks, ND, USA.

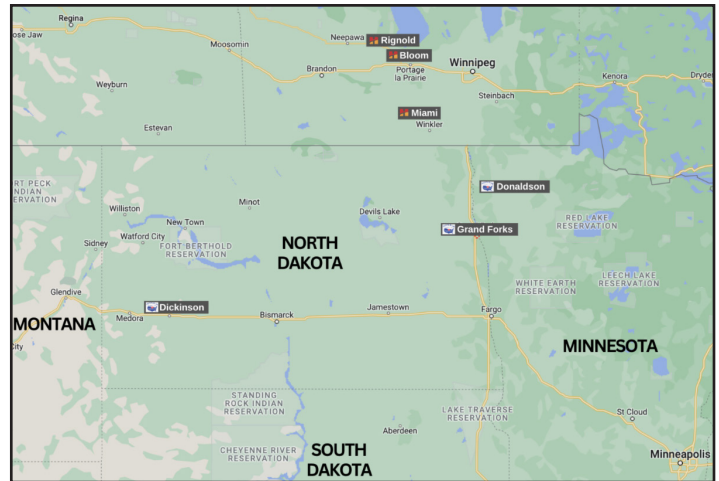
For more than 55 years, Minn-Dak has been processing and marketing specialty crops grown in the Upper Great Plains—the region comprising Montana, North Dakota, South Dakota, Nebraska, Iowa, and Minnesota—and beyond. It has well-built, efficient facilities with available capacity and warehousing capabilities in Grand Forks, ND; Donaldson, MN; and Dickinson, ND, which supply buckwheat and mustard ingredients to the food industry worldwide.

We are pleased to add their well-built sustainable facilities with strong infrastructure to provide for growth opportunities for Hensall Co-op. With warehousing in place, we will further increase flexibility and improve our ability to manage through logistics challenges.

As a processor and supplier of specialty crop food ingredients our similar business models will allow us to not only continue to support our partners in the food industry but do so more efficiently as we work together. Minn-Dak's research-based programs, designed to expand into other markets with custom products, will align well with the research and work we have been doing in Hensall Foods Inc. (HFI).

This acquisition aligns with our strategy to grow our food and food ingredients business. Expanding into new commodity categories will provide more value-added opportunities for our members.

With their relentless pursuit to find innovative ways of exceeding the expectation of our customers and their commitment to local growers, the culture of Minn-Dak is aligned to the values and vision of Hensall Co-op. We look forward to a seamless integration that will lead to growth across our entire portfolio.



Pictured: Minn-Dak locations in Grand Forks, ND; Donaldson, MN; and Dickinson, ND and existing Hensall Co-op locations in Manitoba.



Our People Drive Our Growth

Brad Chandler
CEO (Chief Executive Officer)



We believe our greatest asset is our workforce, who have a long-standing tradition of building our business through hard work, teamwork, and innovation. As we look to the future, we know that our people will bring our plans to life.

We are dedicated to creating an environment where our team feels connected, valued, and energized. Through initiatives like timely email updates, weekly videos, social events, contests, and a “work hard, play hard” approach, we strive to ensure that every voice is heard, and contributions are recognized. By communicating openly and celebrating our successes together, we reinforce the core values that drive our success.

A strong focus on health and safety isn’t just a requirement—it’s a promise we make to our team. Everyone deserves to work in a safe environment where their well-being is a priority, and where they can go home safely at the end of the day. We continually improve our programs to protect our workforce and enhance their health and well-being.

Ongoing training for our employees and supervisors is key to our growth as an organization. By investing in their development, we equip our leadership and team members with the tools they need to excel, lead, and innovate, keeping us at the forefront of the ever-changing agriculture industry.

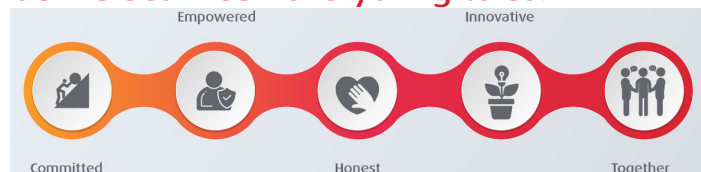
To keep growing, we need to think beyond traditional methods for recruitment. We are expanding our efforts to attract people with diverse skills, backgrounds, and perspectives.

We are one team, working across different divisions but united by a common goal—the betterment of our members. By breaking down barriers and encouraging collaboration between departments, we create a more connected and aligned workforce. When we work together across various parts of the business, we don’t just solve problems; we create new opportunities for growth and success. This teamwork is what will drive our growth, allowing us to adapt quickly and effectively to any challenges we face.

Every step we take in engagement, communication, safety, recruitment, and development is aimed at helping our employees thrive. When they grow, we grow. Together, we are building something much bigger than any one individual.

We are grateful to our employees for their continued dedication, innovation, hard work, and teamwork.

Our Values mean everything to us:



The legacy of the Animal Nutrition division is built on a foundation of trust, expertise, and a relentless pursuit of excellence in Customer Service. Amid the challenges of higher interest rates impacting our customers' finances, another harvest with elevated vomitoxin levels in the area surrounding our Clinton facility and equipment cost inflation driving freight rates higher, Hensall Co-op remains committed to the animal nutrition business with an unwavering dedication to serving our customers with innovative solutions.

We built our Animal Nutrition business from a tradition of cultivating deep, service-oriented relationships with our customers — relationships rooted in a tradition of excellence. This will remain our foundation for growth of the business going forward. We have put the people in place to enhance our commitment to understanding the unique needs of every customer. Each farm, each producer, and every partner we work with has distinct goals, and it is Hensall Co-op's tradition of listening, adapting, and serving that sets us apart. As we continue to grow, this will be our cornerstone — the understanding that long-lasting success comes from strong relationships, built on trust and reinforced with consistent, personalized support.



Photo Credit: Lisa Greydanus

Animal Nutrition

Jerry Groot
General Manager of Animal Nutrition



largest facility, we are ensuring that our customers have access to tailored solutions that meet their specific needs.

This flexibility will allow us to respond more effectively to the diverse requirements of livestock, ensuring that their nutritional needs are met with the highest quality standards.

We continue to recognize that offering value-added services is essential to differentiate ourselves from the competition. We will continue to provide and expand services such as wet and dry grainbank solutions supported by our abundant storage capacity to not only meet our customers' needs but also help them offset the risk of feed input price escalation — an issue that weighs heavily on many of our partners. This and other offerings such as close out reporting and vaccination services, provide our livestock producers with practical, tailored solutions that mitigate risks and enhance profitability, we demonstrate that our value goes beyond just the feed we supply. We become trusted advisors and partners in their business success.

We are committed to continuing on this path of innovation and service. As we look to the future, our mission is to grow our animal nutrition business by staying true to our tradition of strong relationships and by continuing to build a team that has the resources in place to provide value-added services that help our customers succeed in a volatile market.

Our success is about the relationships we build with our members and customers. Thank you for your commitment to Hensall Co-op and we look forward to continuing to work with you to build a brighter, stronger future.



Farm Services

Jim Barclay
General Manager of Farm Services

Agriculture is evolving faster than ever before, and with these changes come new challenges — but also incredible potential for growth. The key to unlocking that growth lies in our tradition of delivering tailored, innovative solutions to our customers — solutions that help them manage their land, optimize their crops and adapt to changing conditions. As we look to the future, our goal will continue to be to know our customers' farming operations and tailor crop solutions that fit each field within each farm.

Our people, our commitment to training them, our support of the Certified Crop Advisor program and a strong summer intern program are the foundation of our plans for growth. Our Field Marketers work tirelessly to implement tailored solutions that address the unique needs of each farm. This individualized approach not only improves yields and financial returns but also promotes soil health and reduces environmental impact.

At the heart of this tailored approach is precision agronomy. We will continue to emphasize grid soil sampling and the use of SoilOptix technology. This powerful combination enables us to convert precise soil data into Variable Rate Scripting to optimize nutrient application based on the specific needs of each part of the field. It reduces waste, improves efficiency, and ultimately increases yields to improve financial performance.

Our team is dedicated to prioritizing in-field monitoring, particularly in managing the spread of pests and diseases like tar spot. Tar spot is rapidly spreading across our growing region, and we've responded by dramatically increasing the acres we monitor to help manage this disease. With in-field, real-time

field monitoring, we protect crops and safeguard our customers' profitability.

We are dedicated to conducting replicated research to bring the newest, most effective and cost-efficient products and seed varieties to our customers. Whether it's the latest in foliar plant nutrition or advancements in fertility solutions, we work to ensure that we are offering products that truly make a difference in the field to give our customers a competitive edge and reinforce our role as a trusted partner.

Sustainable crop practices are not only environmentally beneficial but also financially advantageous for farmers by reducing input costs, providing premium market opportunities and improving plant health to preserve the land for future generations. We recently added a Sustainability Coordinator as a resource to identify market opportunities and meet the economic, environmental, and social requirements of the global supply chain. We have begun measuring nitrogen stabilizer usage as well as the use of controlled release nitrogen products to provide more opportunities for our customers for value-added sustainability solutions.

Our success is a direct reflection of the strong community we serve. Over the past year, we've seen our members come together to share knowledge, support each other, and push the boundaries of what's possible in agriculture. We've hosted educational events, expanded our digital resources, and enhanced our communication channels with text blasts and Agronomy Alerts to ensure farmers have access to the latest information and support. Our Summer plot days and appreciation events, Winter grower meetings and our attendance at local trade shows provide dialogue across our rural communities.

As we continue to grow, Hensall Co-op remains committed to providing innovative solutions, superior service, and a deep-rooted connection to our agricultural heritage. We look forward to growing together in the future.

The Energy division faced a year of change and challenges amid ongoing geopolitical issues that drove volatility into the energy markets. The ongoing geopolitical pressures of Eastern Europe, the much-anticipated spike in demand for energy from China as it reopened, followed by the realization that there would be minimal impact on energy demand and the Middle East erupting into conflict drove energy market volatility throughout the year.

Notwithstanding the volatility, crude price did not range above \$90 USD. The geopolitics has caused spikes but the lackluster performance of the Chinese economy and slowing manufacturing growth in the United States are reducing demand. Oil producing countries are fighting the slumping oil prices by cutting production. Production cuts may not reverse the downward trend driven by weakening demand. Amid the soft demand in North America, Hensall Energy increased the volume of sales across premium, ethanol and diesel products over the previous year.

We benefited from a wet harvest with record propane consumption and saw a 16% increase in volume year over year. Propane prices have stabilized to seasonal ebbs and flows after the doubling of prices following the eruption of the Eastern Europe conflict. There are currently good supplies of propane held in storage however, the prospect of a colder winter could drive higher demand, and supply will be impacted by Liquid Propane Gas (LPG) being shipped through the pipelines to the coast for export. On the other side, propane is now seeing more competition from international markets. Amid the tug of war between supply and demand, we continue to work with our suppliers to get the best value and most reliable supply for our customers.

With a renewed focus and vigour into growing sales with our Hensall Co-op members across all products, Hensall Energy is more than fuel and propane. With our sales staff delivering value across all product categories, we have been able to successfully offer our full line of Shell Lubricants and Diesel Exhaust Fluid (DEF) to our customers. By working together with our suppliers,

Energy

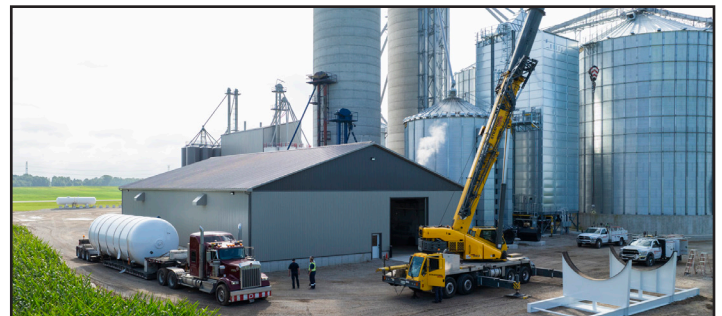
Phil Belk
Energy Business Manager



we are nimble and can bring the entire line of all products from packaged products to bulk to meet the individual needs of each customer. In particular, the direct delivery of bulk oils to the site has been well received by our customers. We have an expanded sales team and have laid out districts where sales efforts are concentrated. By increasing our outside office time, our sales team face more prospective customers across many different types of businesses.

With increasing volumes and deliveries, we have added delivery capacity to the fleet. We added a new tanker that can haul more propane in one trip and a new service vehicle with a boom crane to do more installations with less labour. We are adding more technology by increasing tank monitoring to reduce delivery truck travel time, fuel consumption and the cost per delivery while ensuring that the customer always has the fuel they need, when they need it.

In this highly competitive industry, Hensall Energy is using the tools and latest technology to reduce costs and increase efficiencies while creating long-term value and sustainable business practices to our members that will carry a strong customer base in the coming years.



Pictured: Delivery of 23,000 gallon propane tank arriving at a customer's farm in Ontario.



Food Products

Brad Grabham

General Manager of Food Products & Strategic Business Development

Recent developments in the global food market underscore that we operate in a dynamic and constantly evolving landscape. Our adaptability and dedication to maintaining strong relationships with end users and within the agricultural community has once again been our success and to the benefit of our members and clients alike.

This year has seen above-average yields in all dry bean-growing areas, contributing to a robust supply. At the same time, external factors, such as Mexico's drought affecting their Black and Pinto Bean production, shifted global demand. With production losses, demand for dry beans surged, prompting significant exports from other regions into Mexico. This filled available capacity and helped stabilize dry bean prices for the upcoming 2024 crop production contracts.

Following sluggish demand from Asian countries for Non-GMO soybeans in 2022 and 2023, we saw a larger premium for the 2024 crop launch to stimulate acreage and meet rising demand. Our reliable supply chain, combined with the quality produced by our growers, has driven growth by attracting new end users for our IP Soybeans in the Asian market. The recent distribution agreement between Syngenta Canada and Hensall Co-op for the new Silverline IP brand has further solidified our position as a major player in the Non-GMO IP soybean market.

We are committed to excellence in the global marketplace and strive to provide world class service across the diverse clients that rely on Hensall Co-op. Working directly with leading food companies allows us to demonstrate our tradition of success in serving customers in over 40 countries. Hosting global customers at our facilities and our members' farms

allows us to showcase our facilities, capabilities and strengthen relationships.

Our recent acquisition of Gentec underscores our unwavering commitment to securing a stable supply of certified seed which is essential for our business' ongoing stability and growth. This strategic move is a testament to our proactive approach in responding to market demands and ensuring reliable resources for our clients and it aligns with broader industry trends that emphasize the importance of securing reliable supply chains to maintain product portfolios and competitiveness.

By embodying our core values, our team positions Hensall Co-op to achieve excellence in the global marketplace and continue to meet the needs of our members and clients. Open communication fosters trust; dedication to our members and clients drives us to continually improve and innovate; our focus on innovation allows us to adapt and stay competitive; empowerment leads to more effective problem-solving; working together as a cohesive unit allows us to leverage diverse perspectives and skills to achieve common goals. We are grateful to our entire team who have worked hard and continued to be dedicated to the success of our customers and Hensall Co-op as a whole.

We extend our sincere thanks to our members for their ongoing support and for filling our bins with high-quality products. Your dedication is crucial for the continued success of Hensall Co-op.



Photo Credit: Tory Struyf

As we reflect on the past fiscal year, it's clear that 2023 - 2024 has yet again been a challenging one. We've faced a series of hurdles—many of which were beyond the control of our producers—but as these hurdles presented, we've learned, adapted, and continued to strengthen our operations. Overall yields in Ontario were strong but prices saw continued downward pressure, and on top of this there were some quality issues that limited marketing opportunities and the ever increasing Carbon Tax that producers have to bear.

The year began on a promising note, with planting getting off to an excellent start. It seemed that we might be on track for a smoother season. However, as is often the case in agriculture, the weather had other plans when early summer turned unexpectedly dry while also having the persistent presence of wildfire smoke hovering over our fields. This combination of erratic weather and environmental stress made the growing season tougher than we had anticipated, affecting both crop health and yield potential. October brought a new set of challenges, as the rains seemed to settle in for what felt like the entire month. Harvest delays pushed us later into the fall season, and for many, the delays and moisture resulted in the development of vomitoxin in the corn crop which created significant difficulties in marketing the corn.

Heavy rains in late July 2023 resulted in a wet tail end of wheat harvest. Unfortunately, many wheat fields suffered from quality issues, particularly sprouting, which led to a significant portion of the wheat crop being downgraded to feed quality. It's always unfortunate when a crop our producers have worked so hard to cultivate does not meet the quality standards that we all aim for.

Navigating these challenges throughout the year required innovation and resilience, and it continually tested our employees across our entire business. Along with our producers, we rose to the challenge. When the weather cleared after our wet October, we saw close to 75% of the corn harvest completed in one week while simultaneously completing the bean harvest. Despite the obstacles, we were able to handle all of the crops

Commercial Grains

Jerry Groot
General Manager of Grains



that were delivered.

As we faced the challenges presented to us and our producers, it has become clear that our role is to navigate uncertainty. This is why we will continue to advance our key initiatives including:

- Continuing to develop and encourage the use of our Customer Information System (CIS) that provides real-time information to our customers related to delivery tickets, contracts and account balances
- Improving logistics efficiency with our dedicated internal logistics platform
- Maintaining strong relationships with many end users across various industries to reduce risk through diversification while expanding marketing opportunities
- Maintaining and growing marketing opportunities such as IP Wheat, IP Soybeans, Non-GMO corn and Sustainable Crop initiatives
- Continuing to have engaged subject matter experts available to meet the needs of our producers

At Hensall Co-op we have a deeply rooted tradition of being customer-focused with a set of values that support our role in navigating through uncertainty. Those values will be the foundation of our future growth. In the challenges lies the opportunity for growth and together with our members, we will continue to grow and succeed in being the driving force of Ontario Agriculture – no matter what challenges come our way.

Thank you to our team for their hard work and perseverance and thank you to our members and customers for providing us with the opportunity to gain their trust while we market their grains.



Hensall Foods: Driving Innovation and Growth

Joey Groot
Chief Operations Officer (COO)



Hensall Foods was established as a dedicated business unit focused on researching and developing agricultural-based ingredients. This initiative aligns with our mission to create consumer opportunities for the core products that Hensall Co-op and its members produce. By positioning Hensall Foods at the intersection of agriculture and the consumer market, we are strategically bridging the gap between our core offerings and end consumers, enabling us to unlock new value in the marketplace.

As broad trends in the Canadian food service industry continue to show strong growth in both retail and institutional markets, our multi-brand strategy on refrigerated prepared ready meals — featuring The Screaming Chef and Whistling Care — positions us to capture growth across both sectors. Tailoring our approach to meet the specific needs of each market, we have experienced increased demand for our ready-made meal products in branded and private label retail as well as in food service. Our ongoing expansion in 2024 lays the foundation for future growth and strengthens our competitive position.

Strategic media exposure and industry recognition are elevating our brands, allowing us to differentiate through quality, freshness, product longevity, and clean-label offerings — all while contributing to the reduction

of food waste. Continued investment in our people and processes has enabled us to scale operations in line with rising demand, while also expanding our product portfolio with innovative recipes. We remain committed to operational efficiency and to producing high-quality, safe foods that incorporate local ingredients, ensuring that we meet evolving consumer preferences.

We are also actively pursuing new market channels and strengthening partnerships that will sustain our long-term growth. Our R&D (research and development) team continues to drive the development of a variety of dry bean and pulse flours, collaborating with Canadian universities and their research teams to explore pretreatment techniques of dry bean, cereal and pulse blend mixes, and innovative applications. This focus on research and innovation is designed to create and expand added-value markets for our producers, further strengthening the Hensall Co-op ecosystem.

Our success is made possible by the dedication of our staff. Their commitment to continuous improvement in food safety, employee safety, and operational excellence is what sets us apart in the industry. Together, we are building a resilient, innovative, and growth-oriented future for Hensall Foods and the broader Hensall Co-op community.



The transportation and logistics industries faced significant challenges in 2024, with persistent labour issues marking the year. Notable events included strikes at the Port of Vancouver and St. Lawrence Seaway, both ultimately resolved. Railway worker negotiations with CN and CPKC persisted, while a potential Canada Border Services Agency strike was narrowly avoided. Global shipping encountered difficulties, with the Panama Canal experiencing low water levels due to drought, impacting cargo operations. The ongoing Red Sea crisis forced route changes around South Africa, affecting schedule reliability and container supply.

Amidst these challenges, Hensall Global achieved numerous successes, thanks to its skilled and dedicated professional team. Our international freight forwarding business realized increased volumes in its South American and Middle East Ocean container programs, while the European and Transpacific programs stayed strong. Our domestic freight brokerage business experienced an impressive 11% year-over-year volume increase for the second consecutive year. In our intermodal and bulk agricultural trucking operation, year-over-year volumes remained steady. Our truck and trailer repair business continued its growth trend with a 3% activity increase. Overseas Container Forwarding, our West Coast subsidiary, maintained consistent results in its seafood and general cargo import and export programs.

Hensall Global made significant investments in asset upgrades, including new trucks, container chassis, and grain trailers, enhancing both service delivery and operational safety. Our truck and trailer repair facility underwent a major expansion, more than doubling its shop floor to 21,000 square feet and adding a full-length service pit.

Our commitment to technology-driven service improvements remains. We continued to enhance our H2 logistics execution platform, reaching major milestones in customized client-specific transportation and order life cycle visibility. Additional diagnostic software, the Nexu fluid management and monitoring system, and state-of-the-art wheel balancing

Hensall Global Logistics Inc.

Brad Borland
President, Hensall Global

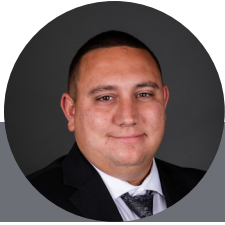


equipment were integrated into our truck and trailer repair operations.

Looking ahead to fiscal year 2025, we anticipate rate stability in Canadian export container programs. Globally, the Red Sea conflict may keep ocean container trade under pressure, though ocean liner capacity growth is likely to outpace demand. On our domestic freight programs, the freight market is expected to strengthen as excess carrier capacity diminishes. Labour challenges in North American ports and rail sectors are expected to persist.

Nevertheless, Hensall Global remains optimistic. We anticipate increased demand in our major East-West lanes in international freight forwarding, alongside continued volume growth in domestic brokerage. Our truck and trailer repair business is poised for expansion-driven growth, while we plan to continue to upgrade our truck and trailer assets in our trucking operations. We will continue the development of our H2 logistics execution platform, particularly in commercial price management and customer relationship management. These strategic initiatives across our diverse business lines will position us well for sustained growth and improved operational efficiency over the coming year.





Finance & Administration

Joel Boughen
Corporate Controller

2024 has been an exciting year for our Finance and Administration teams. We made progress on our digital transformation while integrating the financial reporting of two key acquisitions that occurred in the year. We have successfully navigated a landscape characterized by significant volatility across the various markets in which we operate.

We are progressing in our digital transformation journey and continue to see the benefits that come with it. Our commitment to leveraging technology is enhancing not only our operational capabilities and efficiencies but also improving the experience for our members and customers. Members now have more information available to them in real-time through our Customer Information System. Our operations have more timely information to improve what we are today, while getting prepared for future challenges and opportunities. As we continue to evolve, we are excited about the path ahead and the potential it holds for Hensall Co-op's continued success.

The expansion into the United States through the acquisition of Gentec and Minn-Dak Growers has presented its own set of challenges. Navigating a new regulatory landscape and understanding regional dynamics required a joint effort from our teams on both sides of the border. We faced complexities in aligning our standards and practices with those of our United States counterparts while ensuring compliance with local laws and regulations. We rose to the challenge and have developed skills that are essential to ensure Hensall is ready to grow into the future.

The shift from a record low-interest rate environment to the highest rates in over 25 years, along with

continued market and weather volatility, has posed considerable challenges and increased risk potential. Our teams have been vigilant, closely monitoring market trends and adjusting to mitigate the impact. This, in tandem with the unwavering support of our members who invest in the future of Hensall Co-op, has been instrumental in our success. This approach has enabled us not only to navigate this challenging environment but continue to grow.



Photo Credit: Annemarie Kraft

We are pleased to report that 2024 was another successful year. As volatility across our operations seems to become the norm, we have continued to successfully face the challenges of the unpredictable. Our ability to thrive would not have been possible without the dedication and commitment of our employees, who continually drive and support Hensall Co-op through their efforts every day.

Maintaining the health and safety of our employees is a cornerstone of our operational team. Prioritizing employee safety builds trust and strengthens our reputation among workers, customers, and members. Our weekly wellness videos promote safe and healthy habits while building camaraderie across the team. Through training, we continue to focus on developing situational awareness that helps drive results while allowing employees to work in a secure environment without unnecessary risks.

We have continued to focus on strengthening the capabilities of all our operations. As our members continue to grow, we are constantly adapting to meet their evolving needs in response to changing circumstances. We wholeheartedly embrace the technology that allows our grower base to implement tailored made solutions for their business whether it is precision spraying, tailored fertilizer blends or real-time information. We have built the infrastructure that allows us to be agile and fast in meeting the needs of our members by focusing investment on strategic locations and integrating technologies that allow for immediate interaction across our network of assets. The addition of fertilizer blending, storage and tender truck investments have further contributed to our efficiency.

Quality is paramount for all of us. The quality of Canadian beans, processed through best-in-class facilities, gives us a competitive edge in the global market. We have continued to make strategic investments in our facilities and are now utilizing Artificial Intelligence (AI) technology in our colour sorters across multiple facilities.

Operations

Joey Groot
Chief Operating Officer (COO)



As we continued to improve our quality parameters, we saw growth in tons processed and shipped. With the acquisition of assets that process complementary commodities including mustard and buckwheat, we have expanded the portfolio we can offer to our global food customers.

With a continued focus on maintaining our reputation of high quality, our differentiated offering and our operational efficiency, we will maintain our spot in the global market with our marketing competitiveness. We are grateful for the continued support from our member base as we continue to be Proud to be Farmer Owned.



Photo Credit: Sarah Merrigan



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hensall District Co-operative, Incorporated

Opinion

We have audited the consolidated financial statements of Hensall District Co-operative, Incorporated (the Entity), which comprise:

- the consolidated balance sheet as at July 31, 2024
- the consolidated statement of earnings and retained earnings for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at July 31, 2024, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report. We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The image shows the handwritten signature 'KPMG LLP' in black ink. The letters are bold and slanted to the right. Below the signature is a single, long, horizontal stroke that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants
Kitchener, Canada
October 7, 2024

CONSOLIDATED BALANCE SHEET

As at July 31, 2024

	2024 \$	2023 \$
Assets		
Current assets		
Cash	2,828,849	8,537,098
Accounts receivable (note 5)	116,165,195	100,606,695
Fair value of open commodity and foreign exchange contracts (note 15)	15,307,536	18,036,668
Advances paid:		
Open commodity and foreign exchange contracts (note 15)	4,364,259	2,238,791
Other	39,843	-
Inventories (note 6)	184,644,446	179,912,197
Prepaid expenses	7,456,240	2,707,647
Income taxes receivable	601,357	
Current portion of lease receivable (note 18)	284,620	308,111
Current portion of promissory note receivable (note 17)	915,463	866,952
Other current assets (note 24)	677,013	-
	333,284,821	313,214,159
Investments (note 7)	2,350,287	2,315,917
Property, plant and equipment (note 8)	180,387,205	154,552,335
Intangible assets (note 9)	26,956,351	17,307,745
Goodwill	13,977,523	13,366,588
Deferred charges	-	132,410
Future income taxes (note 20)	182,083	-
Lease receivable (note 18)	1,058,515	805,005
Promissory note receivable (note 17)	-	915,463
Total assets	558,196,785	502,609,622

Approved by the Board of Directors



President



Vice President

CONSOLIDATED BALANCE SHEET

continued

As at July 31, 2024

	2024 \$	2023 \$
Liabilities and member equity		
Current liabilities		
Operating line of credit (note 12)	19,000,000	7,000,000
Accounts payable and accrued expenses (note 10)	54,968,855	56,200,574
Fair value of open commodity and foreign exchange contracts (note 15)	12,723,249	10,128,441
Advances received (note 15)	2,543,415	3,346,727
Income taxes payable	-	2,176,307
Other current liabilities (note 24)	652,232	-
Short-term demand member loans (note 12)	43,749,934	45,550,786
Current portion of:		
Long-term debt (note 12)	7,138,815	5,546,222
Other long-term liabilities (note 17)	94,644	87,221
Special member loans (note 14)	75,309,729	53,989,626
	216,180,873	184,025,904
Long-term debt (note 14)	52,734,333	35,428,704
Other long-term liabilities (note 17)	4,378,280	4,759,961
Future income taxes (note 20)	16,587,453	16,590,453
	289,880,939	240,805,022
Member entitlements		
Mandatory member and patronage loans (note 13)	31,040,206	29,681,337
Special member loans (note 14)	156,972,508	159,803,954
Total liabilities	477,893,653	430,290,313
Member equity		
Retained earnings	80,018,595	71,732,342
Non-controlling interest	284,537	586,967
Total liabilities and member equity	558,196,785	502,609,622
Commitments and contingencies (note 19)		
Acquisitions (note 24)		

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

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the year ended
July 31, 2024

	2024 \$	2023 \$
Sales (note 4)	1,012,225,961	1,124,759,237
Cost of sales		
Materials	857,489,741	983,903,478
Direct department costs	86,712,914	75,287,854
Amortization	16,216,451	14,885,525
	960,419,106	1,074,076,857
Gross Profit	51,806,855	50,682,380
Administration expenses (income)		
General	13,355,441	12,959,868
Amortization	2,398,889	681,087
Other	(1,591,100)	(1,174,894)
	14,163,230	12,466,061
	37,643,625	38,216,319
Interest expense		
Operating loan (note 12)	5,244,090	6,483,150
Long-term debt (note 12)	3,299,534	1,857,006
Member loans (notes 13 and 14)	14,617,544	13,963,584
Other	379,769	390,316
	23,540,937	22,694,056
Earnings from operations before the following	14,102,688	15,522,263
Other gains and losses		
Gain on disposal of property, plant and equipment	134,877	702,157
Net derivative gains (losses) and other items (note 15)	41,554	17,535
	176,431	719,692
Earnings before distributions to members and income taxes	14,279,119	16,241,955
Distributions to members (note 13)		
Patronage dividend	2,282,209	2,580,756
Interest bonus on mandatory member loans	349,312	317,307
	2,631,521	2,898,063
Earnings before income taxes	11,647,598	13,343,892
Income taxes (note 20)		
Current	3,507,814	4,570,044
Future	(185,083)	(332,800)
	3,322,731	4,237,244
Net earnings attributed to members	8,286,253	8,715,994
Net earnings attributed to non-controlling interest	38,614	390,654
Net earnings for the year	8,324,867	9,106,648

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

CONSOLIDATED STATEMENT OF EARNINGS AND
RETAINED EARNINGS ... CONTINUED

For the year ended
July 31, 2024

	Retained earnings \$	Non-controlling interest \$	Total \$
Balance - July 31, 2022	63,016,348	717,088	63,733,436
Net earnings for the year	8,715,994	390,654	9,106,648
Dividends paid for the year	-	(520,775)	(520,775)
Balance - July 31, 2023	71,732,342	586,967	72,319,309
Net earnings for the year	8,286,253	38,614	8,324,867
Dividends paid for the year	-	(341,044)	(341,044)
Balance - July 31, 2024	80,018,595	284,537	80,303,132

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended
July 31, 2024

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	8,324,867	9,106,648
Payment of patronage dividend	(884,777)	(883,267)
Items not affecting cash		
Amortization of property, plant and equipment	15,887,569	14,415,396
Amortization of intangible assets	2,727,771	1,151,216
Change in unrealized gain/loss on open commodity and foreign exchange contracts	5,323,940	(5,566,461)
Gain on disposal of property, plant and equipment	(134,877)	(702,157)
Net change in accrued interest on demand and special member loans	5,439,071	4,460,487
Patronage dividend included in net earnings for the year	2,282,209	2,580,756
Future income tax expense	(185,083)	(332,800)
Foreign exchange revaluation	(104,612)	(15,164)
Unrealized foreign currency exchange gain on cash	(368,610)	(196,331)
	38,307,468	24,018,323
Net change in non-cash working capital balances (note 23)	(18,047,354)	13,297,378
	20,260,114	37,315,701
Financing activities		
Borrowing from operating line of credit	19,000,000	7,000,000
Repayment of operating line of credit	(7,000,000)	(23,000,000)
Borrowing from long-term debt	25,000,000	
Repayment of long-term debt	(6,101,778)	(5,546,222)
Repayment of other liabilities	(374,258)	(1,069,925)
Repayment of mandatory member and patronage loans	(923,340)	(1,574,214)
Proceeds on issuance of special member and demand loans	115,078,166	123,639,789
Repayment of special member and demand loans	(103,829,432)	(108,605,312)
	40,849,358	(9,155,884)
Investing activities		
Acquisition of businesses, net of cash received (note 24)	(40,336,748)	-
Collection of promissory note receivable	915,463	829,656
Development of intangible assets	(11,940,101)	(11,321,230)
Collection of lease receivable	246,315	207,226
Issuance of lease receivable	(524,845)	(1,320,342)
Purchase of property, plant and equipment	(15,678,957)	(16,021,450)
Proceeds on disposal of property, plant and equipment	473,586	1,508,274
	(66,845,287)	(26,117,866)
Effect of exchange rate changes on cash	368,610	196,331
Dividends to non controlled interest	(341,044)	(520,775)
Net increase (decrease) in cash	(5,708,249)	1,717,507
Cash - Beginning of year	8,537,098	6,819,591
Cash - End of year	2,828,849	8,537,098

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

NOTES TO FINANCIAL STATEMENTS

For the year ended
July 31, 2024

1. Corporate status

Hensall District Co-operative, Incorporated (the Co-operative) was incorporated under the laws of the Province of Ontario on January 23, 1946, without share capital.

The Co-operative and its subsidiaries have 100% ownership of the following legal entities:

Hensall Global Logistics Inc.	Is a logistics forwarding company.
Hensall Foods Inc.	Is a food ingredient and ready-made meal company.
Hensall US Inc.	Is a company that holds shares of all US subsidiaries.
Hensall ND Holdings LLC	Is a company that holds shares of all subsidiaries operating in North Dakota.
Hensall ND Real Property LLC	Is a company that owns flour mills and grain elevators in North Dakota for the purpose of leasing.
Hensall ND Personal Property LLC	Is a company that owns flour milling equipment in North Dakota for the purpose of leasing.
Minn-Dak Ag LLC	Is a company that operates flour mills for the purpose of sale of commodities.
Hensall ID Holdings LLC	Is a company that holds shares of all subsidiaries operating in Idaho.
Hensall ID Real Property LLC	Is a company that owns property and equipment in Idaho for the purpose of leasing.
Gentec Inc.	Is a seed house in Idaho primary focusing on dry bean breeding.
Hensall MI LLC	Is a service company that offers elevation and storage services of dry beans.

The Co-operative and its subsidiaries own a controlling stake of the following legal entities:

Overseas Container Forwarding Inc.	Is a freight forwarding company. The outstanding shares are 79.87% owned by Hensall Global Logistics Inc.
------------------------------------	---

2. Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian accounting standards for private enterprises (ASPE) as issued by the Canadian Accounting Standards Board. These consolidated financial statements include the financial statements of all fully owned subsidiaries and any with a controlling interest that were identified in note 1.

3. Summary of significant accounting policies

Cash

Cash consists of cash on hand and deposits in bank.

Accounts receivable

Accounts receivable includes trade customer receivables net of allowance for doubtful accounts, and other receivables. The Co-operative makes an allowance to reduce the carrying value of accounts receivable identified as uncollectible to their estimated realizable amount. The allowance for doubtful accounts is the Co-operative's best estimate of the amount of probable credit losses in its existing accounts receivable. The Co-operative determines the allowance for doubtful accounts based on specifically identified accounts. The Co-operative reviews its allowance for doubtful accounts on a periodic basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

Edible beans and feed inventories have been stated at their lower of cost and net realizable value. Cost is determined on the average weighted cost of purchase.

Grain, corn and soybeans inventories have been stated at the quoted market prices obtained from the closing price quotations of a major commodity exchange plus or minus the local basis. The change in fair value is recognized in cost of sales – materials.

Retail and wholesale inventories have been stated at the lower of cost and net realizable value. Cost is determined substantially on a first-in, first-out basis.

Investments

Investments that the Co-operative does not control are accounted for at cost less any reduction for impairment. Investments are assessed annually for indicators of impairment and when a significant adverse change in expected timing or amount of future cash flows is noted, the carrying value of the investment is reduced to the higher of present value of expected cash flows from holding the investment, and the amount that could be realized by selling the investment.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization is calculated using the declining balance method and at the following annual rates:

Roadways and services	4% and 8%
Buildings	5%
Concrete silos	5%
Steel storage bins	8%
Equipment	15%
Mobile machinery and trucks	20%
Computer equipment	25%
Leasehold improvements	10 years

Borrowing costs related to the construction of property, plant and equipment are not capitalized. Land and construction in progress are not amortized.

Intangible assets and goodwill

Intangible assets consist of finite-lived producer and customer relationships and various internally generated items which are carried at cost less accumulated amortization. Relationships are amortized over their estimated useful lives of 10 years on a straight-line basis. Internally generated items are amortized on a straight-line basis over their estimated useful lives of 2 or 4 years depending on the item and amortization begins upon completion of the internal development.

Goodwill is accounted for at cost. The Co-operative tests for impairment only when events or circumstances indicate that it might be impaired. In the event that the carrying amount of a reporting unit which contains goodwill exceeds its fair value, a goodwill impairment loss will be recognized in the statement of earnings in an amount equal to the excess.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever indicators of impairment exist. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Accounts payable and accrued expenses

Accounts payable and accrued expenses include trade payables, employee-related obligations and accrued expenses, and are payable in less than one year.

Income taxes

The future income taxes method of accounting for income taxes is used. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefits of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. They are measured using the substantively enacted tax rates and laws in effect when the differences are expected to be realized.

Demand, special member, mandatory member and patronage loans

The demand and special member loans are carried at cost plus accrued interest. Mandatory member and patronage loans are carried at cost. On an annual basis, the Co-operative can elect to declare patronage dividends to members. Any declared patronage dividends will be allocated to patronage loans based on the member's prorated portion of active business. The Co-operative also has the right to declare patronage repayment and to have a portion of the patronage loans paid out to members in cash, with the remaining portion added to the carrying balance of mandatory member loans. The remaining portion of unpaid patronage dividends is then paid out over a period of time as determined by the Board of Directors of the Co-operative.

Revenue recognition

The Co-operative earns revenue from the sale of crop inputs, grain, soybeans, edible beans, feed, propane and petroleum. Generally, revenue from product sales is recorded upon shipment except in circumstances where product is shipped by sea, in which case revenue is recognized when title transfers based on shipping terms.

The Co-operative also provides processing, handling and storage and services in relation to its commodity business which are recognized as revenue when services are performed.

Hensall Global Logistics and Overseas Container Forwarding provides logistics service which are recognized when services are performed.

Hensall Foods earns revenue from the sale of ready-made meals. The revenue from this is recognized upon shipment of the meals.

Minn-Dak Ag LLC earns revenue from the sale of Mustard and Buckwheat products. The revenue from this is recognized upon shipment of the product.

Gentec Inc. earns revenue from the sale of edible bean seed. The revenue from this is recognized upon shipment of the product.

Derivative instruments and hedge accounting

Derivatives – commodity contracts

The Co-operative manages its exposure to changes in commodity prices through the use of derivative instruments. The Co-operative enters into exchange-traded futures and option contracts to manage the risk of changes in the market price of commodities such as corn, soybeans, and grain. The fair value of these contracts is determined at each reporting period and included within the balance sheet as fair value of open commodity and foreign exchange contracts, with the realized and unrealized gains or losses associated with these contracts included in the cost of sales – materials within the statement of earnings.

Derivatives – currency contracts

Certain commodity derivative contracts are denominated in foreign currency, and so the Co-operative manages its exposure to changes in currency through the use of exchange-traded futures, forward currency and option contracts. The fair value of the exchange-traded futures, option and certain forward currency contracts are determined at each reporting period and included within the balance sheet as fair value of open commodity and foreign exchange contract. For contracts used as part of the Co-operatives currency risk management program, the realized and unrealized gains or losses are included in cost of sales. For contracts that are used for other purposes, the realized and unrealized gains or losses are included in other gain and losses.

Derivatives – open purchase and sale contracts

In the normal course of business, the Co-operative enters into various contracts to purchase and sell commodities. For contracts to purchase or sell grain, corn or soybeans traded in an active market, the contracts are recorded at fair value as non-financial derivatives within the balance sheet as fair value of open commodity and foreign exchange contracts. For contracts to purchase or sell other grain or feed, no recognition of the contract's fair value is made until settlement of the contract as the contracts do not meet the definition of a derivative under the standard. Gains or losses resulting from the change in fair value of these contracts are included in the cost of sales – materials within the statement of earnings.

Derivatives - currency contracts qualifying for hedge accounting

The Co-operative has determined that certain forward currency contracts qualify for hedge accounting, including an evaluation of critical terms match, and as such the fair value of these are not recorded on the balance sheet at the end of each reporting period. The realized gains and losses upon settlement are recorded within cost of sales – realized (gains) losses on foreign exchange contracts on the statement of earnings.

Financial instruments

Under CPA Handbook Section 3856 – Financial Instruments, financial assets and liabilities, including derivative instruments not designated in a qualifying hedging relationship, are initially recognized at fair value. Subsequently all financial instruments are measured at amortized cost except for:

- Investments in equity instruments that are not quoted in an active market, which are measured at cost less any reduction for impairment;
- Investments in equity instruments that are quoted in an active market and derivative instruments not designated in a qualifying hedging relationship, which are measured at fair value with any gains or losses recorded in net earnings;
- Derivative instruments not designated in a qualifying hedging relationship which are measured at fair value with any gains and losses recognized in net earnings;
- Designated in a qualifying hedging relationship for anticipated transactions, which are not recognized until maturity at which point any gain or loss is recorded in net earnings.

Transaction costs relating to other financial liabilities other than operating loans are netted against the carrying value of the liability and then amortized over the expected life of the instrument using the effective interest method. Transaction costs relating to operating loans are included in deferred charges and amortized over the expected life of the instrument.

Foreign currency translation

Monetary assets and liabilities of the Co-operative that are denominated in foreign currencies are translated into Canadian dollars, which is both the presentation and functional currency of the Co-operative, at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities and revenue and expenses are translated at rates of exchange in effect at the time of those transactions. Gains or losses on foreign currency translation are included in the determination of net income for the period.

Foreign operations

Financial statements of self-sustaining foreign operations are translated as follows: assets and liabilities at the exchange rate at the balance sheet date and, revenue and expense at the average rates of exchange in effect for the period. Exchange gains and losses are included in the cumulative translation account in shareholders' equity.

Use of estimates

The preparation of financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date, as well as revenues and expenses for the year. The Co-operative regularly assesses these estimates and, while actual results may differ, management believes the estimates are reasonable. Significant items subject to estimates include the allowance for impairment of accounts receivable, inventory obsolescence provision, carrying amounts of property plant and equipment, carrying amount of intangible assets.

4. Sales

The major categories of sales for the Co-operative include the following:

	2024	2023
	\$	\$
Edible beans and feed	344,010,253	336,121,124
Grain, corn and soybeans	409,108,250	513,083,801
Retail, wholesale and services	259,107,458	275,554,312
	<u>1,012,225,961</u>	<u>1,124,759,237</u>

5. Accounts receivable

Accounts receivable is presented net of allowance for doubtful accounts of \$1,977,285 (2023 – \$2,058,165). Doubtful account expense of \$5,034 (2023 – recoveries of \$1,930,146) were recognized during the year within general expenses.

6. Inventories

	2024	2023
	\$	\$
Edible beans and feed	65,292,118	70,166,868
Grain, corn and soybeans	72,581,392	82,531,529
Retail, wholesale and services	46,770,936	27,213,800
	<u>184,644,446</u>	<u>179,912,197</u>

The Co-operative recognized an expense of nil (2023 - \$2,044,402) in the year due to the revaluation of inventory based on the net realizable value.

7. Investments

Included in investments is 69,500 (2023 - 69,500) common shares of CanAgri Insurance Alliance SCC representing 46.33% (2023 - 46.33%) of ownership and 500,000 shares (2023 - 500,000) common shares of More Than Protein Ingredients Ltd. representing 12.5% (2023 - 12.5%) ownership.

CanAgri Insurance Alliance SCC is a captive insurance group that the Co-operative uses for certain property coverage. The Co-operative makes payments to the captive insurance group based on actuarial analysis of risks and terms. The carrying amount of this investment also includes preferred shares in various segregated cell companies within the CanAgri Insurance Alliance SCC group as well as additional paid-in capital. The carrying amount of this investment is \$807,037.

More Than Protein Ingredients Ltd. is a company focusing on new opportunities in protein isolates. The carrying amount of this investment is \$1,050,000.

The Co-operative has other small investments with an aggregate carrying amount of \$493,250.

8. Property, plant and equipment

	2024		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	16,734,977	-	16,734,977
Roadways and services	11,906,963	3,959,818	7,947,145
Buildings	69,427,458	24,504,995	44,922,463
Concrete silos	27,683,543	12,469,558	15,213,985
Steel storage bins	51,916,166	25,109,323	26,806,843
Equipment	174,046,805	118,534,928	55,511,877
Mobile machinery and trucks	26,660,879	17,160,083	9,500,796
Computer equipment	3,384,238	3,003,118	381,120
Construction in progress	3,340,681	-	3,340,681
Leasehold Improvements	31,611	4,293	27,318
	385,133,321	204,746,116	180,387,205
	2023		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	14,165,802	-	14,165,802
Roadways and services	11,515,370	3,635,027	7,880,343
Buildings	55,330,080	22,417,453	32,912,627
Concrete silos	27,683,543	11,668,822	16,014,721
Steel storage bins	47,919,532	22,900,659	25,018,873
Equipment	156,826,120	110,278,705	46,547,415
Mobile machinery and trucks	23,625,075	15,664,239	7,960,836
Computer equipment	3,336,087	2,871,288	464,799
Construction in progress	3,560,481	-	3,560,481
Leasehold Improvements	28,689	2,251	26,438
	343,990,779	189,438,444	154,552,335

The Co-operative recognized amortization expense of \$15,887,569 (2023 – \$14,415,396) related to property, plant and equipment during the year.

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

9. Intangible assets

Intangible assets include producer and customer relationships, and internally generated software as follows:

	2024		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Producer and customer relationships	6,480,637	(3,205,796)	3,274,841
Internally generated software	7,769,412	(2,652,109)	5,117,303
Internally generated software in development	18,564,207	-	18,564,207
	<u>32,814,256</u>	<u>(5,857,905)</u>	<u>26,956,351</u>

	2023		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Producer and customer relationships	6,028,746	(2,677,196)	3,351,550
Internally generated software	4,804,363	(452,938)	4,351,425
Internally generated software in development	9,604,770	-	9,604,770
	<u>20,437,879</u>	<u>(3,130,134)</u>	<u>17,307,745</u>

The Co-operative recognized amortization expense of \$2,727,771 (2023 – \$1,151,216) related to intangible assets during the year.

10. Government remittances

Included in accounts payable and accrued expenses are \$54,404 of government remittances payable (2023 – \$58,597), none of which are in arrears.

11. Short-term demand member loans

The demand member loans are unsecured and accrue interest at a rate of 4.40% (2023 – 4.25%). The accrued interest is included in the balance of the outstanding demand member loans.

12. Long-term debt and operating loan facilities

	2024 \$	2023 \$
Agri-Food Canada term loan, with interest at 0% repayable in monthly installments of \$18,519 starting on March 31, 2016, maturity date March 1, 2025	148,148	370,370
FCC term loan, with interest at 4.450% repayable in monthly installments of \$222,222 plus interest starting on January 1, 2016, maturity date January 2, 2030	13,777,778	16,444,445
FCC term loan, with interest at 4.866% repayable in monthly installments of \$48,667 plus interest starting on June 1, 2018, maturity date June 1, 2028	5,353,333	5,937,333
FCC term loan, with interest at 4.408% repayable in monthly installments of \$55,556 plus interest starting on July 17, 2019, maturity date August 1, 2029	6,888,889	7,555,555
FCC term loan, with interest at 3.950% repayable in monthly installments of \$117,222 plus interest starting on June 1, 2017, maturity date May 1, 2030	9,260,556	10,667,223
FCC term loan, with variable interest at 7.75% repayable in monthly instalments of \$138,889 plus interest starting on April 1, 2024, maturity date May 1, 2039	24,444,444	-
	<u>59,873,148</u>	<u>40,974,926</u>
Less: Current portion	7,138,815	5,546,222
	<u>52,734,333</u>	<u>35,428,704</u>

The aggregate amount of principal payments required in each of the next five years and thereafter to meet retirement provisions of the term loans, is as follows:

	\$
Year ending July 31, 2025	7,138,815
2026	6,990,667
2027	6,990,667
2028	6,990,667
2029	6,990,667
2030 and thereafter	24,771,665
	<u>59,873,148</u>

The Farm Credit Canada (FCC) term loans are secured by a first charge over all real property and a fourth charge over working capital assets.

The Co-operative has a JPMorgan operating loan facility which, in June 2023, was extended out until July 2026. The facility provides the Co-operative with \$150,000,000 USD, subject to availability on their borrowing base calculations, and allows for temporary increases of up to \$200,000,000 USD during peak season (as stipulated within the facility agreement). Interest charges on this facility vary by the type of borrowing but approximated 7.50% (2023 – 5.50%) during the year. The operating loan is secured by a first charge over working capital assets and a second charge over designated real property. As at July 31, 2024, \$19,000,000 CAD has been drawn on this facility (2023 – \$7,000,000 CAD). During the year no covenants were breached and the Co-operative was in compliance.

The Co-operative has \$19,000,000 (2023 – \$19,000,000) of availability through an FCC advance which extends out until November 2025. This advance has a variable interest rate based on the FCC variable mortgage rate plus 0.05% and has the same security as the FCC term loans detailed above. As at July 31, 2024, no amounts have been drawn on this facility (2023 – \$nil).

13. Mandatory member and patronage loans and member distributions

	2024 \$	2023 \$
Mandatory member loans - interest at 5%	11,643,731	10,576,891
Patronage loans - non-interest bearing	19,396,475	19,104,446
	31,040,206	29,681,337

On September 26, 2024 (2023 – October 5, 2023), the Board of Directors declared that a patronage dividend of \$2,282,209 (2023 – \$2,580,821) would be paid for the year to members of record as at the year-end date and mandatory member loan bonus interest of \$349,312 (2023 – \$317,307) would be paid on 5% member loans.

When a patronage dividend is declared, the dividend, net of withholding tax, is added to patronage loans and paid out to members over a pre-determined period, with the remaining amount remitted as withholding tax to the tax authorities. This pre-determined period is set at the declaration of the patronage dividend. Although the Co-operative has discretion at setting the pre-determined period, it has regularly been set at 10 years. When these annual payments are made, approximately 50% of the amount is paid out in cash and the remaining amount is added to mandatory member loans. Mandatory member loans then accumulate, accruing an annual interest of 5% until a member passes away, sells all their farm assets or moves away from the Co-operative’s service area.

During the year, an amount of \$884,777 (2023 – \$883,267) of patronage dividend was paid out in cash with the remaining balance added to mandatory member and patronage loans.

14. Special member loans

The balance of outstanding special member loans, including accrued interest and maturity dates within the specified fiscal year, is summarized as follows:

	2024	2023
	\$	\$
2.00% - 3.00% due 2025 (2023 - due 2024 to 2025)	212,644	8,284,079
3.25% - 4.00% due 2025 to 2027 (2023 - due 2024 to 2027)	14,776,393	18,393,689
4.15% - 4.50% due 2025 to 2027 (2023 - due 2024 to 2027)	19,567,953	27,285,544
4.60% - 5.00% due 2025 to 2032 (2023 - due 2024 to 2032)	21,063,207	24,391,797
5.05% - 5.50% due 2025 to 2032 (2023 - due 2024 to 2032)	49,298,472	33,662,233
5.60% - 6.00% due 2025 to 2033 (2023 - due 2024 to 2032)	35,180,533	20,998,942
6.05% - 6.50% due 2025 to 2033 (2023 - due 2024 to 2033)	30,825,283	18,161,439
6.75% - 7.25% due 2025 to 2034 (2023 - due 2024 to 2030)	61,357,752	62,615,857
	<u>232,282,237</u>	<u>213,793,580</u>
Less: Current portion	<u>75,309,729</u>	<u>53,989,626</u>
	<u>156,972,508</u>	<u>159,803,954</u>

Included in the above balance of outstanding special member loans is accrued interest of \$12,873,877 (2023 - \$11,837,002)

The aggregate amount of principal and accrued interest payments required in each of the next five years and thereafter to meet retirement provisions of the principal and accrued interest as of July 31, 2024 are as follows:

	\$
Year ending July 31, 2025	75,309,729
2026	47,955,356
2027	23,869,429
2028	29,820,139
2029	26,701,980
2030 and thereafter	28,625,604
	<u>232,282,237</u>

15. Fair value of open commodity and foreign exchange contracts

Derivatives - commodity and currency contracts

As at July 31, 2024, the balance sheet includes an asset associated with an unrealized gain on derivative contracts of \$15,307,536 (2023 - \$18,036,668 gain) and a liability associated with an unrealized loss on derivative contracts of \$11,465,740 (2023 - \$10,128,441 loss).

Outstanding derivative commodity and currency contracts, including those qualifying for hedge accounting, include commodity hedges with a notional value to buy \$25,096,524 USD (2023 - \$23,570,352) and sell \$58,298,425 USD (2023 - \$76,815,864). Currency hedges include multiple instruments with notional values, dates and rates as follows (USD unless otherwise indicated):

			2024
	Value	Dates	Price US \$
Buy CAD	\$138,167,300	Sep 2024	1.3619 - 1.3832
Sell USD	\$153,000,000	Aug 2024 - Nov 2025	1.3177 - 1.3756
Sell CAD	\$875,004	Sep 2024	1.3711 - 1.3732

			2023
	Value	Dates	Price US \$
Buy CAD	\$140,806,705	Sep 2023 - Dec 2023	1.3135 - 1.3408
Sell USD	\$14,500,000	Aug 2023 - Feb 2024	1.2552 - 1.3189
Sell USD	\$154,250,000	Aug 2023 - Nov 2024	1.3228 - 1.3685
Sell CAD	\$607,560	Sep 2023	1.3152 - 1.3281

Derivatives – open purchase and sale contracts

The Co-operative has entered into purchase contracts with multiple producers for the receipt of various field crops at future dates. The total amount of the contractual obligation under these purchase contracts is estimated at current market value of approximately \$197,381,101 (2023 – \$210,101,006).

Furthermore, the Co-operative has entered into sales contracts with multiple customers for the delivery of various processed crops at future dates with an estimated current market value of approximately \$458,398,994 (2023 – \$487,614,494).

For certain of the above-noted purchase and sale contracts, the commodity price and/or the basis is fixed at the time the contract is entered into. The value of these contracts is measured by the Co-operative as the difference between the contract price and the market price, with this difference being extended over the number of metric tonnes under each respective contract. The contract price and market value measurement varies depending on the type of purchase or sale contract entered into:

“Priced” contracts lock-in the future price at the date of the contract’s inception based on the quoted market price for the respective commodity for the contract’s expected settlement date, plus or minus a locked-in local basis. The difference between the futures price and local basis locked-in at the contract date and the futures price and local basis on the date of measurement represents the value determined by the Co-operative at any given point in time.

“Futures” contracts lock-in the futures price at the date of the contract’s inception based on the quoted market price for the respective commodity for the contract’s expected settlement date. The difference between the futures price at the contract date and futures price on the date of measurement represents the value determined by the Co-operative at any given point in time.

“Basis only” contracts lock-in the local basis at the date of the contract’s inception based on the quoted market price for the respective commodity established for the contract’s expected settlement date. The difference between the local basis at the contract date and the local basis on the date of measurement represents the value determined by the Co-operative at any given point in time.

At year-end, the Co-operative had open contracts for grain, corn and soybeans traded in an active market with a fair value determined by the Co-operative of a \$94,807 loss (2023 – \$2,722,438 loss). These values have been recorded on the balance sheet and the changes in values have been recorded in the statement of earnings.

At year-end, the Co-operative had open contracts for other grain or feed whose fair value cannot be readily determined as no active market is available. As such, the fair value of these open contracts has not been recorded on the balance sheet and any gains or losses are only recorded in the statement of earnings when realized on settlement.

Derivatives – currency contracts qualifying for hedge accounting

As at July 31, 2024, the fair value of currency contracts qualifying for hedge accounting was an unrealized loss of \$4,334,670 (2023 – \$3,051,900 unrealized gain) which is not included on the balance sheet. As at July 31, 2024, derivatives qualifying for hedge accounting included certain outstanding forward currency contracts to sell \$153,000,000 USD (2023 – \$148,750,000 USD).

16. Financial instruments

Credit risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that subject the Co-operative to credit risk consist of cash, accounts receivable, open commodity and foreign exchange contracts, advances paid on open commodity contracts, investments, promissory note receivable and leases receivable. The Co-operative manages its risk by actively managing the collection process of accounts receivable. The advances paid on open commodity and foreign exchange contracts are held with a publicly traded derivative provider.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Certain operations of the Co-operative are denominated in U.S. dollars. Accordingly, certain items recorded in the balance sheet are exposed to currency rate fluctuations. As at July 31, 2024, the Co-operative's balance sheet includes the following financial assets (liabilities) denominated in USD:

	2024	2023
	\$USD	\$USD
Cash and cash equivalents	3,563,746	5,832,434
Accounts receivable	46,201,460	34,899,024
Fair value of open commodity and foreign exchange contracts	3,528,273	10,630,665
Advances paid	3,160,445	2,238,791
Accounts payable and accrued expenses	(1,528,947)	(1,877,528)
Advances received	(910,644)	-
Fair value of open commodity and foreign exchange contracts	(677,522)	(2,722,438)
	<u>53,336,811</u>	<u>49,000,948</u>

The Co-operative manages its currency risk through the use of derivative instruments (note 15).

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 market interest rate risk. The Co-operative is exposed to fluctuations in future cash flow interest rate risk on its floating rate operating line and is exposed to fair value interest rate risk on its fixed rate long-term debt and special member loans.

Liquidity risk

The Co-operative is exposed to liquidity risk, which is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Co-operative manages liquidity risk by reviewing its cash requirements and borrowing base limit on the operating loan for settlement of its obligations. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital in order to meet short-term obligations.

The Co-operative is required to advance funds to its commodity and currency derivative provider for any loss in value of the underlying value of the derivatives, dollar for dollar. Conversely, any increase in value of the derivatives held by the Co-operative is advanced by the commodity and currency derivative provider. As a consequence, the Co-operative's cash flow requirements may change significantly on a day-to-day basis.

Commodity price risk

Commodity price risk is the risk of loss arising from adverse changes in commodity prices set by the market. The Co-operative manages commodity price risk through the use of derivative instruments (see note 15).

17. Purchase of land

In 2022, the Co-operative purchased land and in exchange assumed an obligation related to a water supply agreement. As the obligation was in excess of the fair value of the land being purchased, a promissory note was issued to the Co-operative.

The Co-operative had a balance to be received on this promissory note as follows:

	2024	2023
	\$	\$
Promissory note receivable	915,463	1,782,415
Less: current portion	(915,463)	(866,952)
	<u>-</u>	<u>915,463</u>

The promissory note accrues interest at a rate of 5.52% with amount due semi annually, maturing on August 15, 2025.

The Co-operative had a value owing on this obligation as follows:

	2024	2023
	\$	\$
Other long-term liabilities	4,472,924	4,847,182
Less: current portion	(94,644)	(87,221)
	<u>4,378,280</u>	<u>4,759,961</u>

18. Lease receivable

The Co-operative has leased out trucks.

The Co-operative had a balance to be received on these leases as follows:

	2024	2023
	\$	\$
Current portion of lease receivable	284,620	308,111
Lease receivable	1,058,515	805,005
	<u>1,343,135</u>	<u>1,113,116</u>

19. Commitments and contingencies

Operating leases

The Co-operative leases various equipment, property, and vehicles under operating leases. Payments due under the operating leases over the next five years and thereafter are as follows:

	\$
Year ending July 31, 2025	2,679,795
2026	1,893,753
2027	1,303,230
2028	914,512
2029 and thereafter	1,213,297
	<u>8,004,587</u>

Capital commitments

As at July 31, 2024, the Co-operative has commitments to commence or continue construction projects at an approximate aggregate cost of \$16,951,414 (2023 – \$7,986,987) which are expected to be paid out within the upcoming fiscal year.

Insurance

The Co-operative has property insurance through the CanAgri Insurance Alliance SCC captive.

The Co-operative has additional policies with external third party insurers for other types of risks as well as excess property coverage.

20. Income Taxes

The components of income tax expense (recovery) are as follows:

	2024	2023
Current	3,507,814	4,570,044
Future	(185,083)	(332,800)
	3,322,731	4,237,244

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rate of 26.50% (2023 – 26.50%) to income before tax. The reasons for the differences are as follows:

	2024	2023
Income before income tax	11,647,598	13,343,892
Statutory tax rate	26.50%	26.50%
Computed tax expense	3,086,613	3,536,131
Increase (decrease) resulting from:		
Non-deductible expenses	100,154	65,388
Other	135,964	635,725
	3,322,731	4,237,244

The movements of future tax assets and liabilities are presented below:

	Opening balance	Recognized in OCI	Recognized in profit or loss	Closing balance
Future tax assets				
Reserves	109,535	-	18,579	128,114
Financing charges	7,016	-	31,673	38,689
Other	-	-	399,304	399,304
Net operating losses	-	-	408,500	408,500
Non-capital losses	642,062	-	800,057	1,442,119
	758,613	-	1,658,113	2,416,726
Future tax liabilities				
Property, plant and equipment	(12,858,152)	-	911,572	(11,946,580)
Intangibles	(4,490,914)	-	(2,384,602)	(6,875,516)
	(17,349,066)	-	(1,473,030)	(18,822,096)
	(16,590,453)		185,083	(16,405,370)

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

Classified in the consolidated balance sheet as follows:

	2024	2023
Future tax assets	182,083	-
Future tax liabilities	(16,587,453)	(16,590,453)
	<u>(16,405,370)</u>	<u>(16,590,453)</u>

21. Pension plan

The Co-operative sponsors a defined contribution pension plan and pension expense for the year is \$1,283,546 (2023 – \$1,122,291).

22. Statutory information

During the year, the Co-operative transacted approximately 33% (2023 – 38%) of its total business with non-members.

The remuneration of directors, as defined by the Co-operative Corporation Act R.S.O. 1990, Chapter C. 35 is \$240,000 (2023 – \$200,000).

23. Change in non-cash working capital

Change in non-cash working capital consists of the following:

	2024	2023
	\$	\$
Accounts receivable	(15,232,287)	10,319,941
Open commodity and foreign exchange contracts (asset)	(2,125,468)	7,804,342
Other advances paid	(39,843)	-
Inventories	13,459,832	3,293,317
Prepaid expenses	(4,745,716)	(120,326)
Deferred charges	132,410	132,411
Income taxes receivable	(601,357)	-
Accounts payable and accrued expenses	(5,915,306)	(10,327,226)
Open commodity and foreign exchange contracts (liability)	(803,312)	2,207,634
Income taxes payable	(2,176,307)	(12,715)
	<u>(18,047,354)</u>	<u>13,297,378</u>

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

24. Acquisitions

In 2024, the Co-operative made multiple acquisitions: The assets of Minn-Dak Growers Ltd. were acquired for total cash consideration of \$24,889,796 USD (\$34,153,778 CAD). These assets consisted of facilities used in the elevation, storage, processing and milling of Buckwheat and Mustard products. This transaction has been accounted for as a business combination and the results of the business operations have been included in the financial statements since the date of acquisition. Included in the acquisition was a working capital component that represented inventories less outstanding grower obligations. The fair market value of the assets acquired is as follows:

	\$ USD	\$ CAD
Working capital	9,089,796	12,473,018
Property, plant and equipment	15,500,000	21,269,100
Intangible	180,000	246,996
Goodwill	120,000	164,664
	<u>\$24,889,796</u>	<u>34,153,778</u>

As part of the acquisition there is a working capital true up which will finalize in Fiscal 2025. At July 31, 2024 there was a balance of \$490,269 USD (\$652,232 CAD) owed to the Co-operative relating to this true up which is reflected in other current liabilities.

The assets and 100% of outstanding shares of Gentec Inc. were acquired for total cash consideration of \$4,554,873 USD (\$6,158,188 CAD). The assets consisted of a warehouse and seed totes. This transaction has been accounted for as a business combination and the results of the business operations have been included in the financial statements since the date of acquisition. Included in the acquisition was a working capital component that mainly represented trade receivables and payables. The fair market value of the assets acquired is as follows:

	\$ USD	\$ CAD
Working capital	354,873	479,788
Property, plant and equipment	3,750,000	5,070,000
Intangible	140,000	189,280
Goodwill	310,000	419,120
	<u>\$4,554,873</u>	<u>6,158,188</u>

As part of the acquisition there is a working capital true up which will finalize in Fiscal 2025. At July 31, 2024 there was a balance of \$487,670 USD (\$677,013 CAD) that the Co-operative owes relating to this true up which is reflected in other current assets.

In 2023, the Co-operative made no acquisitions.

Hensall Co-op Locations



Hensall, ON

Eastern Satellite Receiving Locations:

Stoneridge Custom Farming Ltd., Bright, ON
Bacon Crest Elevators, Gads Hill, ON
Drudge Elevators, Wroxeter, ON
Lepine, Saint-Alexis, QUE

Western Satellite Receiving Locations:

Linear Grain, Carman, MB
Brummelhus Seeds, Vauxhall, AB
Northern Tier, Thompson, ND (USA)
Bamp Owendale, MI (USA)



Bloom, MB

Ontario Locations:

Ailsa Craig

519-232-4449

Aylmer

519-773-2125 (crops)
519-773-5169

Brussels

519-887-9933

Clinton

519-482-3438

Drayton

519-638-2707

Exeter

519-235-1150

Forest

519-786-5424

Greenway

519-238-8701

Harrow

519-738-2271

Hensall

519-262-3002

Kurtzville

519-291-2220

Lakeside

519-349-2243

Londesborough

519-523-9609 (feed)
519-523-4470

Mitchell

519-393-6010

Ripley

519-395-5955

Seaforth

519-522-1000

Tilbury

519-682-1481

Westfield

519-523-4221

Zurich

519-236-7155

Manitoba Locations:

Bloom

204-252-2418

Miami

204-435-2227

Rignold

204-274-2223

USA Locations:

Gentec Inc.

Twin Falls, Idaho

Minn-Dak

Dickinson, North Dakota
Grand Forks, North Dakota
Donaldson, Minnesota



Proud to be Farmer Owned

Hensall District Co-operative Inc.

1 Davidson Drive, Hensall, Ontario, Canada N0M 1X0
519.262.3002 | 1.800.265.5190

hensallco-op.ca

