

**CANEX**  
**Consolidated Financial Statements**  
**March 31, 2024**

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## Independent Auditor's Report

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To the Non-Public Property Oversight and Advisory Board of  
Canadian Forces Morale and Welfare Services

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### Opinion

We have audited the consolidated financial statements of Canadian Forces Exchange System (CANEX) (hereafter "the Company"), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of operations, deficit and cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for opinion

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

### Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

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

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*Raymond Chabot Grant Thornton LLP<sup>1</sup>*

Montréal  
September 24, 2024

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<sup>1</sup> CPA auditor, public accountancy permit no. A125741

# CANEX

## Consolidated Balance Sheet

As at March 31, 2024

(In thousands of Canadian dollars)

	<u>2024</u>	<u>2023</u>
	\$	\$
<b>ASSETS</b>		
Current		
Cash	165	137
Due from Canadian Forces Central Fund (Note 8)		5,338
Account and accrued receivables	128	209
Inventory	20,151	21,339
Prepaid expenses	996	1,179
	<u>21,440</u>	<u>28,202</u>
Long-term		
Property and equipment (Notes 3 and 10)	26,909	30,761
	<u>48,349</u>	<u>58,963</u>
<b>LIABILITIES</b>		
Current		
Due to Canadian Forces Central Fund (Note 8)	18,063	
Accounts payable and accrued liabilities	7,086	6,499
Current portion of loans payable to Canadian Forces Central Fund	1,735	3,217
	<u>26,884</u>	<u>9,716</u>
Long-term		
Asset retirement obligation (Note 10)	549	540
Loans payable to Canadian Forces Central Fund (Note 4)	9,076	33,501
	<u>36,509</u>	<u>43,757</u>
<b>EQUITY</b>		
Contributed capital	23,280	23,280
Cumulative translation adjustment	(1,547)	(1,498)
Deficit	(9,893)	(6,576)
	<u>11,840</u>	<u>15,206</u>
	<u>48,349</u>	<u>58,963</u>

Commitments and contingencies (Note 9)

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

Approved on behalf of the Non-Public Property Oversight and Advisory Board:



\_\_\_\_\_  
Dave Patel  
Chief Financial Officer

# CANEX

## Consolidated Operations

Year ended March 31, 2024

(In thousands of Canadian dollars)

	<u>2024</u>	<u>2023</u>
	\$	\$
<b>Sales</b>	<b>117,230</b>	119,935
Cost of sales	<u>93,232</u>	<u>96,197</u>
<b>Gross profit</b>	<b>23,998</b>	23,738
Other revenue (Note 5)	<u>14,360</u>	<u>12,473</u>
	<u>38,358</u>	<u>36,211</u>
Expenses		
Payroll and benefits	<b>22,648</b>	21,768
Other operating expenses (Note 6)	<b>12,838</b>	12,682
Amortization of property and equipment	<b>4,710</b>	4,801
Interest on loans payable to Canadian Forces Central Fund	<b>1,014</b>	1,541
	<u>41,210</u>	<u>40,792</u>
Loss before royalties and contributions	<b>(2,852)</b>	(4,581)
Royalties and contributions (Note 8)	<b>(465)</b>	(324)
<b>Net loss</b>	<b>(3,317)</b>	(4,905)

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

# CANEX

## Consolidated Deficit

Year ended March 31, 2024

(In thousands of Canadian dollars)

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	<u>2024</u>	<u>2023</u>
	\$	\$
Balance, beginning of year	<b>(6,576)</b>	(1,671)
Net loss	<b>(3,317)</b>	(4,905)
Balance, end of year	<b><u>(9,893)</u></b>	<b><u>(6,576)</u></b>

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

# CANEX

## Consolidated Cash Flows

Year ended March 31, 2024

(In thousands of Canadian dollars)

	<u>2024</u>	<u>2023</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(3,317)	(4,905)
Non-cash items		
Amortization of property and equipment	4,710	4,801
Asset retirement obligation accretion	9	21
Loss on disposal of property and equipment	(10)	
	<u>1,392</u>	<u>(83)</u>
Net change in working capital items (Note 11)	25,440	4,316
Cash flows from operating activities	<u>26,832</u>	<u>4,233</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment and cash flows from investing activities	<u>(873)</u>	<u>(1,594)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from the issuance of loans payable to Canadian Forces Central Fund	1,253	277
Repayment of loans payable to Canadian Forces Central Fund	(27,159)	(3,364)
Cash flows from financing activities	<u>(25,906)</u>	<u>(3,087)</u>
<b>Net increase (decrease) in cash</b>	<b>53</b>	<b>(448)</b>
Cash, beginning of year	137	137
Effect of foreign exchange rate on cash	(25)	448
Cash, end of year	<u>165</u>	<u>137</u>
<b>Supplementary non-cash information</b>		
Non-cash additions to property and equipment	-	-
Non-cash additions to asset retirement obligation	-	-

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

# CANEX

## Notes to Consolidated Financial Statements

As at March 31, 2024

(In thousands of Canadian dollars)

### 1 - BASIS OF ORGANIZATION

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

In Canada, the business consists of merchandising operations at Canadian Forces Bases, Wings and Units operating under the name CANEX. In Germany, similar businesses are operated at the North Atlantic Treaty Organization Air Base at Geilenkirchen (NATO Air Base) under the name NATEX, in accordance with the concession contract (NATEX contract) between CANEX and the NATO Airborne Early Warning Force (NAEWF) E-3A Component Headquarters. CANEX also operates an automotive sales transaction office in Germany under the name AMSTO.

NATEX distributes royalties to the NATO Air Base in accordance with the NATEX contract.

### 2 - SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

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

#### Principles of consolidation

These consolidated financial statements include the accounts of CANEX and its wholly-owned subsidiaries, NATEX and AMSTO (together "CANEX" or "the Company"). All significant transactions and balances between these entities have been eliminated.

#### Inventory

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

#### Property and equipment

##### *Amortization*

Property and equipment are initially recorded at cost and are then amortized using the straight-line method over their estimated useful lives at the following annual rates:

	<u>Rates</u>
Buildings	5%
Motor vehicles and computer equipment	24%
Point of sale system	17%
Fixtures and equipment	12%
Building improvements	9%

# CANEX

## Notes to Consolidated Financial Statements

As at March 31, 2024

(In thousands of Canadian dollars)

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### *Impairment*

Property and equipment are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposal. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

#### **Asset retirement obligation**

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

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

#### **Employee future benefits**

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

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

# CANEX

## Notes to Consolidated Financial Statements

As at March 31, 2024

(In thousands of Canadian dollars)

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### 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition

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

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The price to the buyer is fixed or determinable;
- Collection is reasonably assured.

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

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

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

#### Income taxes

In common with other Non-Public Funds, CANEX is exempt from paying income taxes under Part I of the *Income Tax Act*.

#### Foreign currency translation

##### *Self-sustaining foreign operations*

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

# CANEX

## Notes to Consolidated Financial Statements

As at March 31, 2024

(In thousands of Canadian dollars)

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company uses the current rate method to translate the financial statements of self-sustaining foreign operations. Under this method, the assets and liabilities of NATEX and AMSTO are translated into Canadian dollars at the exchange rate in effect at the consolidated balance sheet date. The revenues and expenses of NATEX and AMSTO are translated at the exchange rate in effect on the dates on which such items are recognized in consolidated operations. Gains and losses resulting from the translation of the accounts of NATEX and AMSTO are recorded as translation adjustments in a separate component of equity.

#### *Foreign currency transactions and balances*

The Company uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the consolidated balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. An exchange gain or loss that arises on translation or settlement is included in the determination of net earnings (loss) for the year.

#### **Financial assets and liabilities**

##### *Initial measurement*

Upon initial measurement, the Company's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The Company's financial assets and liabilities from related party transactions are measured at carrying amount.

##### *Subsequent measurement*

At each reporting date, the Company measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), whereas financial assets and liabilities from related party transactions are measured using the cost method (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost or using the cost method, the Company assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Company determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in consolidated operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost or using the cost method is recognized in consolidated operations in the year the reversal occurs.

# CANEX

## Notes to Consolidated Financial Statements

As at March 31, 2024

(In thousands of Canadian dollars)

### 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Use of estimates

The preparation of consolidated financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The estimates are reviewed annually and, as adjustments become necessary, they are recognized in the consolidated financial statements in the year they become known.

### 3 - PROPERTY AND EQUIPMENT

	<b>2024</b>		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Buildings	49,976	32,917	17,059
Motor vehicles and computer equipment	2,440	2,347	93
Point of sale system	10,325	9,364	961
Fixtures and equipment	12,369	9,204	3,165
Building improvements	25,383	20,227	5,156
Work in progress	475		475
	<b>100,968</b>	<b>74,059</b>	<b>26,909</b>
			<b>2023</b>
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Buildings	49,859	31,127	18,732
Motor vehicles and computer equipment	2,623	2,342	281
Point of sale system	9,475	8,245	1,230
Fixtures and equipment	11,841	8,843	2,998
Building improvements	24,113	19,273	4,840
Work in progress	2,679		2,679
	<b>100,590</b>	<b>69,830</b>	<b>30,760</b>

# CANEX

## Notes to Consolidated Financial Statements

As at March 31, 2024

(In thousands of Canadian dollars)

### 4 - LOANS PAYABLE TO CANADIAN FORCES CENTRAL FUND (CFCF)

Loans payable to CFCF bear interest at a fixed rate of 4% (4% as at March 31, 2023) per annum and are unsecured. Principal repayments over the next five years and thereafter are as follows:

	\$
Years ending March 31	
2025	1,735
2026	1,562
2027	1,379
2028	1,110
2029	1,135
Thereafter	3,890
	<u>10,811</u>
Less: current portion	1,735
Long-term portion	<u><u>9,076</u></u>

### 5 - OTHER REVENUE

	2024	2023
	\$	\$
Concessions	4,099	3,645
The Personal Insurance Company	5,285	4,931
Interest income – NATEX and AMSTO	486	
Other – NATEX and AMSTO	222	219
Other commission (duty-free, post office)	521	510
Home heating oil	172	180
Rental and delivery	793	647
Miscellaneous	327	475
Advertising	124	126
BMO royalty	1,734	1,314
CF appreciation	597	426
	<u>14,360</u>	<u>12,473</u>

### 6 - OTHER OPERATING EXPENSES

	2024	2023
	\$	\$
Support services user fees (accounting, information technology, human resources)	3,721	3,280
Service (cleaning, delivery, consulting)	3,199	2,953
Facilities	2,009	1,939
Marketing and advertising	1,320	1,792
Fees (recycling, credit card, terminal)	1,285	1,277
Other (doubtful accounts, supplies, travel, equipment)	1,304	1,441
	<u>12,838</u>	<u>12,682</u>

# CANEX

## Notes to Consolidated Financial Statements

As at March 31, 2024

(In thousands of Canadian dollars)

### 7 - PENSION PLAN

All eligible employees are members of the Plan. CANEX's share of contributions to the Plan was \$237 (\$957 in 2023) and is included in the applicable expense category in the consolidated statement of operations. Contributions are significantly reduced in the current year due to a mandatory employer contribution holiday effective June 1, 2023.

Actuarial valuations prepared as at December 31, 2023, on a going concern basis as well as on a solvency basis, indicated the following information about the Plan:

	<u>2024</u>	<u>2023</u>
	\$	\$
Net assets available for benefits	<b>545,937</b>	490,044
Actuarial pension obligation	<b>(404,311)</b>	(353,697)
Surplus	<b><u>141,626</u></b>	<u>136,347</u>

Under the going concern basis, this valuation compares the relationship between the value of the Plan's assets and the present value of the expected future benefit cash flows in respect of accrued service, assuming the Plan will be maintained indefinitely. Under this scenario, the valuation resulted in a surplus of \$138,783 (\$167,040 in 2023).

Conversely, under the hypothetical solvency (or wind-up) basis, the Plan is assumed to be wound up and settled on the valuation date, assuming benefits are settled in accordance with the existing taxation rules and under circumstances producing the maximum wind up liabilities on the valuation date. This valuation resulted in a surplus of \$77,240 (\$76,454 in 2023).

The valuation is used to assess monthly and annual employer contributions. The Plan is required to have the next actuarial valuation performed as at December 31, 2024.

### 8 - RELATED PARTY TRANSACTIONS

The related party transactions are measured at the exchange amount, excluding the resulting financial instruments.

CFCF, which provides banking services and financial assistance to NPP activities at Bases, Wings and Units as well as to CANEX, also operates under the authority of the CDS in their NPP capacity. The due (to) from CFCF of (\$18,063) (\$5,338 in 2023) comprises interest and non-interest bearing funds:

	<u>2024</u>	<u>2023</u>
	\$	\$
Interest bearing		24,581
Non-interest bearing	<b>(18,063)</b>	(19,243)
Total	<b><u>(18,063)</u></b>	<u>5,338</u>

# CANEX

## Notes to Consolidated Financial Statements

As at March 31, 2024

(In thousands of Canadian dollars)

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### **8 - RELATED PARTY TRANSACTIONS (Continued)**

CFCF purchased \$3,054 in trade payables (\$4,104 in 2023), \$51,519 in credit plans (\$51,234 in 2023) and \$2,388 in other trade receivables (\$2,098 in 2023) from CANEX for consideration at their carrying amount. At year-end, CANEX recorded a provision of 1% for the estimate of potential future losses on the credit plan receivables balance (1% in 2023). Fees charged by CFCF amounted to \$515 (\$512 in 2023). Subsequent to year-end, CFCF ceased purchasing trade receivables, trade payables and the CANEX credit plans.

### **Royalties and contributions**

NATEX contributed \$465 (\$324 in 2023) to the NATO Air Base. NATEX's contributions are based on various percentages of consumer sales, in accordance with the NATEX contract.

### **Department of National Defence**

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

Contributions from DND of \$3,108 (\$2,912 in 2023) toward payroll costs are included in the consolidated statement of operations.

Contributions from DND of nil (\$13 in 2023) toward a wage subsidy due to CANEX store closures and reduced operations are included in the consolidated statement of operations.

### **Canadian Forces Morale and Welfare Services**

The Canadian Forces Morale and Welfare Services provide accounting, information technology and human resources services to CANEX. These transactions occurred in the normal course of operations and are recorded in other operating expenses at the exchange amount of \$3,721 (\$3,287 in 2023), which is the value established and accepted by the parties, excluding the resulting financial instruments.

# CANEX

## Notes to Consolidated Financial Statements

As at March 31, 2024

(In thousands of Canadian dollars)

### 9 - COMMITMENTS

CANEX is committed to minimum annual payments under motor fuel supply agreements as follows:

Years ending March 31	\$
2025	524
2026	524
2027	463
2028	343
2029	127
	<u>1,981</u>

The minimum annual payments were calculated using the average fuel price (\$1.63) from April 1, 2023 to March 31, 2024 and the minimum annual motor fuel purchase stipulated in each agreement.

### 10 - ASSET RETIREMENT OBLIGATION

The net book value of the discounted estimate of the asset retirement cost included in the building category of property and equipment is \$262. The amortization of this asset has generated an expense of \$21 in 2024 (\$21 in 2023). The total undiscounted amount of estimated cash flows to settle the asset retirement obligation is approximately \$720 (discounted value of \$549) and is expected to be incurred over the next 19 years. Should changes occur in estimated future removal costs, fuel tank useful lives or governmental regulatory requirements, revisions to the liability shall be made. Of the total liability recorded in the consolidated balance sheet as at March 31, 2024, no amount is expected to be paid within the next twelve months.

During the year, no amount (none in 2023) was paid toward the retirement of fuel tanks.

### 11 - NET CHANGE IN WORKING CAPITAL ITEMS

	<u>2024</u>	<u>2023</u>
	\$	\$
Due to/from CFCF	23,401	5,281
Account and accrued receivables	81	20
Inventory	1,188	(2,581)
Prepaid expenses	183	(610)
Accounts payable and accrued liabilities	587	2,206
	<u>25,440</u>	<u>4,316</u>

# CANEX

## Notes to Consolidated Financial Statements

As at March 31, 2024

(In thousands of Canadian dollars)

### 12 - FINANCIAL RISKS

#### Credit risk

The Company is exposed to credit risk regarding the financial assets recognized on the consolidated balance sheet. The Company has determined that the financial assets with more credit risk exposure are account and accrued receivables since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Company.

#### Currency risk

The majority of the Company's transactions are in Canadian dollars. Currency risk results from the Company's sales and purchases denominated in foreign currency which are primarily in euros. The carrying amounts of the Company's foreign currency denominated balances are as follows:

	2024		Current assets 2023	
	€	\$	€	\$
NATEX	2,326	3,399	2,667	3,922
AMSTO	2,837	4,145	2,671	3,928

  

	2024		Current liabilities 2023	
	€	\$	€	\$
NATEX	434	634	401	590
AMSTO	175	256	220	323

#### Interest rate risk

CANEX is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed and variable interest rates. The loans payable to CFCF bear interest at a fixed rate and CANEX is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

#### Liquidity risk

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

# CANEX

## Notes to Consolidated Financial Statements

As at March 31, 2024

(In thousands of Canadian dollars)

### 13 - NATEX/AMSTO OPERATIONS

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

			<b>2024</b>
	€	\$	%
Total assets	<b>5,537</b>	<b>8,090</b>	<b>27</b>
Sales and other revenue	<b>7,438</b>	<b>10,872</b>	<b>8</b>
Loss before royalties and contributions	<b>168</b>	<b>246</b>	<b>-</b>
			<b>2023</b>
	€	\$	%
Total assets	5,699	8,382	14
Sales and other revenue	6,954	9,581	8
Loss before royalties and contributions	228	314	-