

Yellowknife Direct Charge Co-operative Limited

Annual General Meeting

on

Tuesday April 22, 2008

7:00 P.M.

at the

Tree of Peace Community Hall

“Your Co-op: The Best Deal in Town”

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Statement on the Co-operative Identity

Adopted in Manchester (UK) - 23 September 1995

The Statement on Co-operative Identity was adopted at the 1995 General Assembly of the International Co-operative Alliance (ICA), held in Manchester on the occasion of the Alliance's Centenary. The Statement was the product of a lengthy process of consultation involving thousands of co-operatives around the world.

DEFINITION

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

VALUES

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative member-owners believe in the ethical values of honesty, openness, social responsibility, and caring for others.

PRINCIPLES

The co-operative principles are guidelines by which co-operatives put their values into practice.

1st PRINCIPLE: VOLUNTARY AND OPEN MEMBER-OWNERSHIP - Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of member-ownership, without gender, social, racial, political, or religious discrimination.

2nd PRINCIPLE: DEMOCRATIC MEMBER CONTROL - Co-operatives are democratic organizations controlled by their member-owners, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the member-ownership. In primary co-operatives member-owners have equal voting rights (one member, one vote) and co-operatives at other levels are organized in a democratic manner.

3rd PRINCIPLE: MEMBER ECONOMIC PARTICIPATION - Member-owners contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of member-ownership. Member-owners allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting member-owners in proportion to their transactions with the co-operative; and supporting other activities approved by the member-ownership.

4th PRINCIPLE: AUTONOMY AND INDEPENDENCE - Co-operatives are autonomous, self-help organizations controlled by their member-owners. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their member-owners and maintain their co-operative autonomy.

5th PRINCIPLE: EDUCATION, TRAINING AND INFORMATION - Co-operatives provide education and training for their member-owners, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of co-operation.

6th PRINCIPLE: CO-OPERATION AMONG CO-OPERATIVES - Co-operatives serve their member-owners most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

7th PRINCIPLE: CONCERN FOR COMMUNITY - While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their member-owners.

Ethical Standards

We recognize that this consumer-owned Co-operative has a responsibility to respect, to promote, and to protect the rights of consumers, and that these rights include:

- a) The Right to Safety
- b) The Right to Be Informed
- c) The Right to Choose
- d) The Right to Be Heard

In support of its responsibility to appreciate the rights of consumers, this Co-operative shall aim to observe and apply in all of its activities, the following:

1. All claims, statements, information, advice, and proposals shall be honest and factual.
2. Sufficient disclosure of pertinent facts and information shall be made to enable others to adequately judge the offered product, service, or proposal, and its suitability for the purpose to be served.
3. Due regard shall be given to public decency and good taste.
4. Unfair exploitation in any form shall be avoided.
5. Comparison of Co-operative merchandising, products, services, philosophy, principles, or practices, to those of others shall only be made honestly and fairly, and without intent to harmfully disparage.
6. The interest of the member-ownership as a whole shall be paramount to the interests of the institution.
7. The Co-operative shall aim to be equitable in the treatment of its member-owners.
8. Knowingly advising or persuading individuals to take action that may not be in their best interest shall be avoided.

Having acknowledged that the consumer has certain rights, and being resolved to conduct our activities in the interests of the consumer, we shall, at all times, when applying this code or interpreting its intent, emphasize ethical human relations and values rather than technicalities or legalisms.

Our test for compliance to this Code of Ethical Standards shall be the effect of a communication or action on the ordinary or trusting mind. We recognize that it is not sufficient that a discerning, knowledgeable, or analytical person may derive a correct interpretation if others may be misled.

Our Mission

To enhance the “*Co-op Experience*” while providing the best possible *value* to our member-owners.

The *Co-op Experience* includes

Sense of family
Sense of control
Good service and feeling of respect
Awareness of social and environmental responsibility

Value includes

Service
Quality
Price
Selection



WE BELIEVE IN:

- Representing and responding to our member-owners
- An informed and active member-ownership
- Staff responsiveness to member-owners
- Social responsibility, giving back to the community and promoting a healthy community
- Developing and respecting our staff

2007 Board of Directors

		<u>Term Expires</u>
Leanne Tait	President	2009
Jeff Gardiner	Vice President	2009
John Monroe	Treasurer	2008
Deb Simpson	Secretary	2008
Hilary Jones	Director	2009
Mark Needham	Director	2010
Karan Shaner	Director	2010
Susan Ledrew	Director	appointed to 2008
Lew Voytilla	Director	appointed to 2008

Management Team

Ben Walker	General Manager
Louise Cormier	Accounting Manager
Nancy Oscienny	Human Resources Manager
Justin Nelson	Grocery Manager
Gerald Rice	Meat Manager
Jillian Benvie	Front End Manager
Joseph Magbual	Produce Manager
Alex Marks	Gas Bar & Convenience Store Manager
Pamela FitzPatrick	Assistant Accounting Manager
Bob MacKay	Assistant Meat Manager
Stephen Jamieson	Assistant Deli Manager
Darwin Macusi	Assistant Grocery Manager
Margaret Woodley	Member and Public Relations Manager

Agenda

1. Call to Order
2. Reading of the Minutes of April 23, 2007 Annual General Meeting
 - Approval of Minutes
 - Business Arising from the Minutes
3. Reports
 - President's Report – Leanne Tait
 - Committee Reports
 - Finance – John Monroe
 - Membership – Mark Needham
 - Environment – Jeff Gardiner
 - Scholarship – Deb Simpson
 - Governance – Deb Simpson
 - General Manager's Report – Ben Walker
 - Business Arising from the Reports
 - Motion to accept the Committee Reports
4. Election of Directors (3 - 3 year terms, 1 – 2 year term, 1 – 1 year term)
 - Motion for disposition of the ballots
5. Presentation of Long Service Awards
6. Old Business
7. Appointment of the Auditor
8. New Business
9. Adjournment

Minutes of the April 23, 2007 Annual General Meeting

Tree of Peace Community Hall

1. CALL TO ORDER

Leanne Tait called the meeting to order at 7 p.m. She confirmed all member/owners present had ballots and voting cards

2. READING OF THE MINUTES of the April 18, 2006 ANNUAL GENERAL MEETING

MOVED: Cayley Thomas (#3376)

SECONDED: Doug Round (#4363)

That the reading of the minutes of the 2006 Annual General Meeting be dispensed with.

MOTION CARRIED

Approval of the Minutes

MOVED: Jim Lynn (#2430)

SECONDED: Jeff Gardiner (#3989)

That the minutes of the 2006 Annual General Meeting be approved as presented.

MOTION CARRIED

Business Arising from the Minutes

John Argue (#361) asked about the reference to Point of Sale on page 11 of the Annual Report. Is the Co-op looking at the difference between the gas bar and store? Has any progress been made in the gas bar and the store talking to each other and the possibility of using credit cards at the pump?

Leanne stated the matter had been looked into but no progress has been made. When the reports are dealt with, John will see decisions have been made with respect to positioning regarding future profitability. The matter John raised has been put over until the Board is in a position to investigate it.

3. REPORTS

President's Report

The President's report is in the Annual Report. The Board looks at the Co-op from a business and member/owner perspective and keeps operations where they belong - with staff and management. The reason this can be done is because the Co-op has a great staff and management who take care of the day to day business. The staff ran the store seamlessly and efficiently when Ben was off for medical reasons.

The Board recognized Ben's dedication, loyalty and commitment to the Co-op with his decision to return to the Co-op after his heart attack. Long service awards for 10 years of service were presented at an employee meeting two weeks earlier to Cheryl McBride, Clerk and Margaret Woodley, Manager Member Service and Public Relations.

This past year was one of positioning. The Board did a number of things to put the Co-op on a solid foundation even if it meant less profitability this year. The Board and management met for a weekend to do long term strategic planning and set action plans and goals for the next 3 to 5 years. Goals include increase the bottom line, assess and improve the Co-op's relationship with ACL, solve the gas bar discount issue, grow the Co-op experience, grow value for member/owners, invest in staff, search out and implement new store ideas and implement appropriate technology solutions.

Key decisions were made by the Board this past year to work toward goals and positioning the Co-op for better profitability. Decisions include the non-member shopping pilot program, change in how gas discount was paid and change in gas supplier.

Effective April 1, 2007, how the gas discount was paid has changed. Member/owners will receive the same discount (\$.09/litre), but now the discount will accumulate and be paid twice a year in December for the gas purchases for period April to October and in June for the period November to March. As the program started April 1, 2007, there will be no payment in June, 2007. The first payment will be in December 2007. The change was made in response to member/owner concerns at last year's Annual General Meeting. A number of ideas were considered and this was felt to be the most efficient, cost effective and immediate. The change in how the gas discount is paid has resulted in a growth in member/ownership. The discount now goes to the member/owner, not the person purchasing the gas. In the past, if a person cited another member/owner's number that person, not the member, would get the discount. The number of new member/owners has doubled this year from the same period last year. For the period March 31 to April 20, 2006 there were 35 new members. For the same period this year there were 83 new member/owners.

Another initiative, the non-member shopping pilot, was launched to counter the perception that a shopper had to be a member/owner to shop at the Co-op. Non-member/owners would see the appeal of the store and the inventory. Fixed costs could be spread over more shoppers. More shoppers results in more profitability, enhanced service, discounts and patronage. At the beginning of the year sales were trailing. The result of the non-member shopping pilot was that by September, there was a reversal in the decline of sales. Sales have increased and there has been no reduction in member sales or member/ownership as a result of the non-member shopping pilot. The non-member shopping initiative was adopted as policy in December.

A slide was projected showing what a member gets at the Co-op (gas discount, furniture discount, buyers club, scholarships, patronage) in contrast to a non-member. The Board wants to continue to build on the list of benefits to being a member.

The Board's focus for this year includes negotiating a better deal with our grocery supplier, supporting the management team, and focusing on the guiding principles of

the Co-op – leadership in the community, ownership, quality, selection and value.

Leanne introduced Board members present – Steve Lacey, Ed Gullberg, Ben McDonald, Hilary Jones, Jeff Gardiner, and John Monroe. Mark Needham and Deb Simpson were not able to attend.

Nora Higden (#4785) asked which gas supplier the Co-op has changed to and why.

Leanne stated that the new supplier is Esso and the change in suppliers will be discussed when the Financial report is presented.

Roland Gosselin (#824) asked for elaboration on the gas discount not being available.

Leanne stated the discount is not being paid at the time of purchase. The amount is accumulated to the member/owner number. There is no benefit to a non-member. To get the benefit of the discount they have to be a member/owner.

Tim Mercer (#5211) thanked the Co-op for the solution to the gas discount. The real price is reflected and member/owners still get the benefit of the discount. He said he could not see where the strategic objectives addressed the Co-op's social/societal responsibility.

Leanne referred him to the Co-op's Mission statement on page 5 of the report which articulated the social/societal element of the Co-op.

Tasha Stephenson (#7626) wanted to know what the non-member policy is. Formerly non-member/owners paid a 6% up charge.

Leanne stated there is now no up-charge to non-members and this has been adopted as practice. The non-member does not pay the \$1.00 per week fee and receives no gas discount, no patronage and none of the other additional benefits available to member/owners. The Co-op is able to convert non-members to member/owners.

Jim Lynn (#2430) said he is looking forward to his cheque and wanted to know if it is taxable as income?

John responded that it is not a refund or patronage. If the gas was purchased for personal use it is not taxable. If purchased for business use it is taxable.

Jim asked if the Co-op would run out of gas during break up with the new supplier.

Leanne responded that the Co-op had him covered.

Nora Higden asked how the gas bar will know the right member/owner is getting the discount.

Leanne advised member/owners to check their gas receipt to ensure the correct number is on the receipt. If the number is incorrect, the correction can be made immediately.

Gina McLean (#7133) asked if friends get the discount if they used her number.

Leanne responded that the member gets the discount not her friends.

Gina asked if the member can use their aero gold card to get points.

John Monroe said that there is no aero plan point system in place at the gas bar. Shell gives aero plan points but Co-op member/owners get the discount on heating oil, not Shell gasoline.

Ben stated Co-op does not have loyalty to our gas supplier. There could be a new one next week.

Leanne said questions regarding the gas supplier will be covered when the financial report is presented.

Ralph Creed (#765) asked if it is illegal to sell cigarettes to anyone under 18, how can people under 18 years of age sell cigarettes?

Leanne said Ben would address that when he presents his General Manager's report.

Ralph asked if only adults could sell cigarettes.

Leanne said this would be discussed with the Management team.

Roland Gosselin asked if the Co-op can provide the numbers for the last 3 months of non-members who shopped and then signed up.

Louise said that the Co-op has figures on the number of new member/owners but has no way to track number of non-members who shopped and then signed up.

Prize Draws:

1. Precy Rivera (#3686)– GE Spacemaker AM/FM radio
2. Randy Freeman (#795) - Portable CD Player
3. Anna Soininen & Brian Latham (#3769) – Walkman

Committee Reports

Finance Committee Reports

Committee Members: John Monroe – Chair, Mark Needham, Leanne Tait, Jeff Gardiner, Deb Simpson, Ed Gullberg, Hilary Jones and Ben McDonald.

Sales were slightly higher than budget this past year but the margin on gas was declining. Up until October 2006, the Co-op was purchasing gas from FCL through ACL. Upon investigation, we found that we could obtain fuel cheaper from other suppliers. Effective October 31, 2006, the new gas supplier for the Co-op is Esso. Since the change, the gas margin has risen. With this supplier, we have the ability to store gas during break up.

This change in suppliers required a break of the contract with ACL. The break in the contract requires us to repay a grant we received from ACL used to construct the gas bar, plus interest. That payment is responsible for a significant part of the lower net profit for the year. The lower margin on our gasoline also had an impact on our bottom line. The repayment of the grant and interest will be off-set by the increased margin in gas. This year there is a small surplus and there will be no patronage rebate. John stated margins are expected to return to a surplus position next year. The margin on gas was not covering the expenses to run the gas bar once the rebate was given.

Roland Gosselin asked what happens to funds during the time they are collected and the gas rebate paid. Will interest be paid to the member? Will any surplus be returned to member/owners?

John answered that no interest will be paid but will go into the surplus and increase the patronage rebate.

Ian Gilchrist (#7730) asked what the margin on tobacco is. Is the sale of tobacco compatible with the principle of promoting a healthy community?

John said that tobacco products provided a small but positive contribution to the bottom line.

Leanne said the sale of tobacco products was a question the Board has considered. Smoking cessation products are sold below cost. Not all products are healthy but the Co-op needs to serve the needs of all its member/owners.

Nora Higden wanted to know if breaking the contract could have waited.

John said waiting until the end of the 10 year contract would have resulted in more money being paid.

Membership Committee Report

Committee Members: Ben McDonald – Chair, Jeff Gardiner, Ed Gullberg, Steve Lacey, Mark Needham, Deb Simpson, Leanne Tait

Member/ownership has increased 7.8% over the previous year to 4382 member/owners. Member/owners took part in the Environment sub-committee. There were four active member/owners from the general membership. The sub-committee did preliminary work looking at recycling, composting and alternatives to plastic bags.

The Membership committee supports the fund raising activities of member/owners by providing opportunities for car washes and grocery bagging. Groups collected approximately \$60,000 through these activities. The committee supported promotions such as Co-op Week and theme weeks.

The Committee is investigating setting up an area for used books in the member seating area.

Ben thanked Ben Walker and Margaret Woodley for their input into Committee meetings.

Alan Cash (#4392) thanked Co-op member/owners for their support of the Food Bank. 50% of cash and donations the Food Bank receives comes from Co-op member/owners at the tills and the food drop box. He said he didn't know how the Food Bank would run without the incredible support of the Co-op and its member/owners. He thanked the Co-op administration for tracking cash donations. The Food Bank Board will be talking to the Co-op Board about the up-charge charged to the Food Bank. The Food Bank pays \$1500.00 in up-charge fees and those could be used to buy food.

Leanne said that there should be an opportunity for the Boards to get together to see if anything can be done.

John Argue asked if member/owner sales have been increasing over the last five years. And if not, what is the Board doing to encourage member/owners to spend more of their dollars at the Co-op?

John Monroe answered that per member sales are not increasing. Member/owners are not spending all their grocery money at the Co-op. Sales per member are flat.

Leanne said that the Board looks at ways to encourage member/owners to spend more of their money at the Co-op, to increase member spending. The focus is on building value for the member/owner at the store level. The Board communicates with member/owners about the benefits not only to them but to the greater community.

Merlyn Williams (#9740) said many member/owners are not patronizing the store because the prices are too high. He says he saves \$100 per month by shopping at Extra Foods. Until the prices are reduced, he will not shop at Co-op.

Leanne responded that the Co-op does price checks. The Co-op is not a price leader. Co-op prices match or are close to Extra Foods when food basket prices are checked. The focus of the Co-op is value, friendliness, short time at the checkouts and gas discount for its member/owners. She said that the Co-op surpasses the competition in these areas and in the areas of quality, service and member participation in the operation of the business and in its support of the community as a whole.

Tim Mercer said any consideration of use of plastic bags may to be taken out of the hands of the Co-op by legislation. Reusable bags are a solution. The Co-op must serve all member/owners. If a member/owner wants bags, the Co-op has to supply them, the same as it supplies cigarettes to member/owners who want them.

Tasha Stevenson said the Co-op should consider charging for plastic bags. She expressed concern about the light pollution of the gas bar lighting and on the bicycle access and connection to City trails.

Ben McDonald said that the issue of the gas bar lighting has been addressed. The issue of the bike trail has come up and the Co-op will work with the City to enhance bike trail.

Bruce Graney (#5572) said that employee safety at the gas bar takes precedence over light pollution.

Brian Latham said that it is a matter of how much light gets off the property. He sees shadows when on the trail. The light should be kept on the property, not lighting the trail.

Scholarship Committee Report

Committee Members: Ed Gullberg, Steve Lacey and Deb Simpson. Steve Lacey presented the report. The awarding of Scholarships is considered for students who display strong leadership skills, are active in their school and community and have a strong academic performance.

The recipients were:

Renee Pitre (Ted Sabine Memorial Scholarship)
Kirsten Mahler (Judy Wilson Memorial Scholarship)
Safia Adam
Michelle Bourgois
Carmen Braden
Kali Brasseur
Mara Smith
Janet Wong

The Judy Wilson Scholarship is named in honour of Judy Wilson a former Board member and chair of the Scholarship Committee. The Ted Sabine Memorial Scholarship is named in honour of Ted Sabine who played a leading role in establishing the Co-op and was an early director.

Governance and Compensation Committee Report

Committee Members: Ed Gullberg – Chair, Hilary Jones, Ben McDonald, John Monroe and Leanne Tait. Ed presented the Committee Report. The purpose of the Committee is to ensure effective governance of the Co-op. The Committee sets compensation for management to attract and retain people to fill these positions. The Committee is conducting a review of the management pay scale. The Committee ensures all committees function effectively. It drafted policy such as the change in the method of payment of the discount at the gas bar and drafted the Environment Committee's Terms of Reference.

General Manager's Report

General Manager, Ben Walker presented his report. The Co-op is selling cloth bags at \$.99 in an attempt to cut down on the number of plastic bags that go to the land fill. There will eventually be a charge for plastic bags determined either by the Co-op or the City. Plastic bags cost the Co-op \$50,000 per year, so those savings will go back to the member/owners at year end. The Co-op strives to be environmentally and economically friendly.

There were theme weeks this past year – Down East, Western, Member Appreciation in addition to Co-op week. Last year, also, we added a smoke house and sales have met expectations. Products from the smoke house are being expanded.

The outside of the old portion of the store was refinished and landscaping was done to enhance the look of the store from the road. A committee has been formed to make plans for the beautification of the property. New décor was added to enhance the inside of the store and more new décor will be added this year.

A bakery face lift is proposed pending budget approval by the Board. This will include enhancing and expanding the bulk food section, adding a popcorn machine and new updated wood shelving for commercial bread. Organics and health and beauty products are going to be reorganized. There are plans for the Deli to provide hot and cold soup and fried chicken. Our current lighting is being replaced with energy efficient bulbs.

Ben mentioned some of the changes in the Management team. Judy Whyte has joined the Co-op as Deli Manager. She has increased the product selection and has enhanced the lunch and take-home food programs. Don Leblanc is the new Produce Manager. Justin Nelson, the new Grocery Manager, was the first Co-op employee to complete the meat cutting program. He worked as the Deli manager, then as Produce manager and now is our Grocery manager. Bonnie White has left the Co-op. She held many positions during the 12 years she worked at the Co-op. He congratulated Margaret Woodley on 10 years with the Co-op. Ben thanked the management team and their dedicated staff, including the staff who work behind the scenes. It's because of our staff that we're the best retailers in town.

The Board made some tough decisions this past year that will have positive results down the line. Sales are up 7%. Ben stated he expected a healthy bottom line next year.

Randolph Freeman (#795) asked why under 18 year olds are selling cigarettes.

Leanne said the issue would be looked at and discussed at the Board.

Gina MacLean said she did not receive an invitation to last year's Annual General Meeting. She also asked why there was no patronage rebates.

Leanne advised the notices were mailed and notices announcing the meeting were posted in the store. The decision regarding patronage rebates is made each year and is based on the bottom line of the Co-op. Last year \$80,000 was returned to member/owners from Shell and gas rebates.

Business arising from the reports

None

Motion to Accept the Committee Reports

MOVED: John Argue
SECONDED: Mike Kalnay (#3241)

That the committee reports be accepted.

MOTION CARRIED

4. ELECTION OF DIRECTORS

Leanne thanked Steve Lacey who has served on the Board for nine years and Ben McDonald who came onto the Board last year to fill the last year of the term of a departing Board member. Ben was also a Board member in past years.

The Nominating Committee is comprised of Leanne Tait and Deb Simpson. There are three vacancies on the Board. Mark Needham was unable to attend the AGM but has agreed to let his name stand for the Board. Other nominations to the Board are Karan Shaner and Tim Mercer. Leanne called for nominations from the floor.

There were no nominations from the floor.

MOVED: Paul Craig (#5295)

SECONDED: Linda Henry (#40)

That nominations close.

MOTION CARRIED.

Karan Shaner and Tim Mercer spoke about their back ground and said they were looking forward to serving on the Board.

Prize Draws

Helen Lawson (#9004) - Gift Certificate

John Coumont (# 6525) - Portable DVD Player

Ralph Hunt (#11466) - Home Theatre System

5. OLD BUSINESS

Sheila (#10430) stated she is happy to see the Co-op taking proactive steps regarding plastic bags.

6. APPOINTMENT OF THE AUDITOR

MOVED: John Monroe

SECONDED: John Argue

That MacKay LLP be appointed as auditors for 2007.

MOTION CARRIED

7. NEW BUSINESS

None

Prize Draws

Mike Kalnay - Gift Certificate
Laurin Trudel (#5045) - 27" TV

8. ADJOURNMENT

MOVED by Roland Gosselin

That the meeting be adjourned at 8:50 p.m.

President's Report

For the past seven years, I've had the honour of serving member/owners on the Co-op's board of directors. For the past two years, I've been challenged with the responsibility of providing leadership to your Co-op as President of the Board. I am leaving the board effective this Annual General Meeting with a strong feeling of accomplishment, satisfaction and reward knowing that the Co-op is tremendously strong, vibrant, and well-positioned for the future.

As I indicated at the 2006 AGM, your board has been working hard to position your Co-op to remain strong in a quickly changing and increasingly challenging environment.

Human resources

It will come as no surprise to Yellowknifers that there is a shortage of workers in the north. Our thriving economy creates strong competition for workers and drives wages up. Your management team has done an outstanding job keeping the store "ready for business", and maintaining the high levels of customer service your Co-op is famous for, while operating with only about 90% of a full staff complement. In order to do this, your management team regularly works 6 – 7 day work weeks, taking on expanded areas of responsibility. Staff provides the backbone of front line support. Together, efforts of your staff and management team have made the human resources challenges all but invisible to member/owners. I would like to take this opportunity, on behalf of the board and member/owners of the Co-op to applaud this incredible teamwork and dedication. You have, absolutely, the best employee team in the city.

Another significant success this past year, in the area of human resources, is the negotiation of a new, 5-year collective agreement for your Co-op. Three things are particularly remarkable regarding this process. Firstly, negotiations were completed quickly, and without acrimony so often associated with collective bargaining. Secondly, the agreement was ratified by an unprecedented 100% of voting staff. And finally, the deal is a 5-year deal, which provides some certainty for both management and union for an extended period.

Human resources – or investing in staff, as we like to think of it – continues to be a priority for board and management. With the board's encouragement and support, your management team delivered a range of training opportunities for staff, giving them the tools to succeed and advance within the Co-op, to help improve the Co-op's bottom line, and to continually improve how we serve our member/owners.

Supplier relationships

At our last AGM, we provided details on a change in supplier from Federated Co-operatives to Imperial Oil for petroleum products in order to get more competitive pricing. I am pleased to report that decision has already benefitted your Co-op by approximately \$350,000 in reduced costs. This is not a one-time saving. This is a saving that will continue to benefit the Co-op year over year. At the same time, we changed the policy on fuel purchases to ensure only Co-op member/owners receive the fuel discount. This all but eliminated non-member fuel purchases, reducing overall fuel sales. So, while fuel sales are down from previous years, our profits per sale have increased as a result of strategic buying.

Renewed relationship with Arctic Co-operatives

As you may be aware, Yellowknife Direct Charge Co-op is part of a group of 31 member Co-ops throughout the North, joined under the umbrella of Arctic Co-operatives Limited. The majority of our store purchases are made through our relationship with Arctic Co-operatives Limited.

I am pleased to report that effective with the 2007/08 fiscal year, your board of directors and general manager have renegotiated our service fee arrangement with ACL to better reflect the value and support we provide to the ACL system, and our limited use of ACL services. Under this new agreement, your Co-op will see reductions to annual service fees paid and other savings totaling approximately \$180,000 per year. This represents a *saving of almost a million dollars* directly to the bottom line of your Co-op over the 5-year life of the deal.

Equally important, establishing this agreement allows your board of directors and ACL to renew its relationship with certainty for both organizations for the next five years, allowing us to focus time, energy, and resources on providing service, and creating value for our member/owners.

Bottom line for member/owners

Your board has worked hard in the past several years to make strategic – and sometimes difficult – decisions to improve the bottom line of the Co-op, for the benefit of the member/owners. And I am pleased to say, we have succeeded in these efforts. Savings resulting from the new service fee agreement with ACL, combined with the annual \$250,000 - \$350,000 per year that we now save on petroleum products with the shift in suppliers, means savings of up to a half million dollars a year to your Co-op.

Your board and management's efforts to improve the position the Co-op for continued profitability and success will continue to pay off for member/owners in the future. I am pleased to report that your board has declared patronage of \$625,000 for 2007. \$500,000 will be paid in cash, and \$125,000 will be paid in shares. Each member/owner's share of patronage will be calculated based on their grocery purchases in the past year.

Planning for future success

Strategic Planning

Once a year, your board and management team get together for a weekend planning session. This past November, we got together and built on our plan, reviewed our successes, set priorities, and planned for the future. Goals and objectives set at that planning meeting, which will drive the efforts of board and management over the next several years are outlined below. Some of these (for example, goal 2) have been achieved, and some are ongoing:

1. Increase bottom line
 - Increase income
 - Decrease costs
2. Resolve supply chain issue
 - Negotiate satisfactory arrangement for fees and services with ACL
3. Invest in staff
 - Recruitment
 - Staff development

- Retention
4. Use technology to improve operations
 - Implement appropriate technological solutions to improve our business
 - Plan for Point of Sale (POS) upgrade: design and funding
 5. Celebrate the Co-op experience and value
 - Market and promote what we already do
 - Publicize new offerings and product lines
 6. Maximize our capital potential
 - Better use of our real estate
 - Better use of interior space to increase bottom line and WOW factor

Technology

One area your Board is aware will need attention in the future is technology. Our current front end POS system is approaching the end of its life cycle, and will soon become obsolete. The process of identifying needs has begun, with an understanding that a significant financial investment will be needed in new technology within the next two years.

The last word

As this is my last year serving you on the Co-op board of directors, I want to thank you for the trust you have put in me, your board, and your management team, to protect and grow your Co-op. I would also like to recognize each member of the Co-op board. These people truly know the meaning of service. Each contributes freely of his or her expertise and experience, with no compensation or personal gain. Indeed, participation on the board can be time and energy consuming. For this most valuable and volunteer service, I thank my fellow board members, and I encourage all member/owners to appreciate the dedication, hard work, and service provided by these Co-op members on behalf of all member/owners.

Respectfully submitted,

Leanne Tait,
President

Management's Report

The Board of Directors delegates to management the responsibility of preparing the financial statements and auditors are appointed at the AGM to provide an independent opinion of the financial statements.

The financial statements have been reported on by MacKay LLP, Chartered Accountants. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements. The audit report refers to the original unsummarized audited financial statements.

We have summarized the statements of income for the purposes of this report. MacKay LLP has determined that the financial statements contained in this report have been accurately reproduced and appropriately summarized.

Leanne Tait, President

John Monroe, Treasurer

Yellowknife Direct Charge Co-operative Limited
Summarized Financial Statements

November 3, 2007

Yellowknife Direct Charge Co-operative Limited

Summarized Statement of Income

For the fifty two weeks ended November 3,	2007	2006
Sales	\$ 36,177,511	\$ 35,474,570
Cost of sales	29,799,574	29,441,617
Gross margin	6,377,937	6,032,953
General and administrative expenses	6,905,097	7,182,534
Loss before other items and income taxes	(527,160)	(1,149,581)
Other income	1,312,738	1,214,799
Income before income taxes	785,578	65,218
Future income taxes	100,949	55,073
Net income	\$ 684,629	\$ 10,145

Yellowknife Direct Charge Co-operative Limited**Summarized Statement of Undistributed Savings and Accumulated Other Comprehensive Income**

For the fifty two weeks ended November 3,	2007	2006
Undistributed savings, beginning of period	\$ 10,678	\$ 2,562
Net income	684,629	10,145
	695,307	12,707
Patronage allocations	(625,000)	-
Transfer to statutory reserve	(51,807)	(2,029)
Accumulated other comprehensive income	-	-
Undistributed savings, end of period	\$ 18,500	\$ 10,678

Yellowknife Direct Charge Co-operative Limited

Summarized Balance Sheet

	2007	2006
Assets		
Current		
Cash	\$ -	\$ 932,303
Accounts receivable	456,875	389,780
Income taxes receivable	116,649	137,445
Inventory	1,218,278	1,383,521
Prepaid expenses	20,792	24,574
	1,812,594	2,867,623
Investments (note 3)	3,286,673	3,052,105
Property and equipment (note 4)	9,174,130	9,615,626
Future income taxes (note 5)	-	67,250
	\$ 14,273,397	\$ 15,602,604
Liabilities		
Current		
Bank indebtedness (note 6)	\$ 46,426	\$ -
Accounts payable and accrued liabilities	2,827,855	3,914,343
Patronage allocation	625,000	-
Provision for termination of fuel contract	-	934,313
Current portion of long-term debt (note 7)	287,928	281,160
Current portion of savings certificates (note 8)	454,270	132,516
Current portion of preferred shares and debentures (note 9)	498,383	72,528
	4,739,862	5,334,860
Long-term debt (note 7)	2,409,960	2,730,679
Savings certificates (note 8)	892,876	1,150,211
Future income taxes (note 5)	33,699	-
Preferred shares and debentures (note 9)	321,404	747,798
	8,397,801	9,963,548
Shareholders' Equity		
Share capital (note 10)	4,409,756	4,232,845
Statutory reserve (note 11)	1,447,340	1,395,533
Retained earnings and other comprehensive income	18,500	10,678
	5,875,596	5,639,056
	\$ 14,273,397	\$ 15,602,604

Approved by the board of directors:

_____ Director

_____ Director

Yellowknife Direct Charge Co-operative Limited

Summarized Statement of Cash Flows

For the period ended,	2007	2006
Cash provided by (used for)		
Operating activities		
Net income	\$ 684,629	\$ 10,145
Items not affecting cash		
Amortization	687,296	710,518
Future income taxes	100,949	55,073
	1,472,874	775,736
Change in non-cash working capital items		
Accounts receivable	(67,095)	(211,572)
Income taxes	20,796	293,152
Inventory	165,243	(71,268)
Prepaid expenses	3,782	(9,932)
Accounts payable and accrued liabilities	(1,086,488)	197,325
Patronage allocation	625,000	(260,000)
Provision for termination of fuel contract	(934,313)	934,313
Deferred income	-	(560,393)
	199,799	1,087,361
Financing activities		
Repayment of long-term debt	(313,951)	(1,535,641)
Redemption of Series II debentures	(15,004)	(1,306)
Increase in savings certificates	64,419	146,552
Redemption of preferred shares	(7,500)	(12,000)
Accrued interest on risk capital debentures	21,965	20,811
Issuance (redemption) of share capital	176,911	(1,651)
Statutory reserve	51,807	2,029
Patronage allocations	(625,000)	-
Transfer to statutory reserve	(51,807)	(2,029)
	(698,160)	(1,383,235)
Investing activities		
Increase in investments	(234,568)	(211,807)
Purchase of property and equipment	(245,800)	(250,195)
	(480,368)	(462,002)
Increase in cash (bank indebtedness)	(978,729)	(757,876)
Cash, beginning of period	932,303	1,690,179
Cash (bank indebtedness), end of period	\$ (46,426)	\$ 932,303

Yellowknife Direct Charge Co-operative Limited

Notes to the Summarized Financial Statements

November 3, 2007

1. Nature of operations

Yellowknife Direct Charge Co-operative Limited (the "Co-operative") is a co-operative association incorporated under the *Co-operative Associations Act* of the Northwest Territories on March 10, 1981 and operates a retail facility and gas bar for its members in Yellowknife, Northwest Territories.

2. Significant accounting policies

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Change in accounting policies

Effective November 5, 2006, the Co-operative adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1530, Comprehensive Income, Handbook Section 3855, Financial Instruments – Recognition and Measurement, Section 3251, Equity, and Section 3861, Financial Instruments – Disclosure and Presentation. The Co-operative has evaluated the impact of these new standards and has determined that no adjustments are currently required.

(b) Comprehensive income

Section 1530 introduces Comprehensive Income, which consists of Net Income and Other Comprehensive Income (OCI). OCI represents changes in shareholder's equity during a period arising from transactions and other events with non-owner sources and includes such items as unrealized gains and losses on financial assets classified as "available for sale."

Yellowknife Direct Charge Co-operative Limited

Notes to the Summarized Financial Statements

November 3, 2007

2. Significant accounting policies (continued)

(c) Financial instruments - recognition and measurement

Section 3855 requires that all financial assets and financial liabilities be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial instruments classified as held-for-trading are subsequently measured at fair value and unrealized gains and losses are included in net income in the period in which they arise. The Co-operative has classified cash as held for trading.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-for-trading, held-to-maturity, or loans and receivables. Available-for-sale assets are subsequently measured at fair value, when possible, with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recognized in net income. The Co-operative accounts for investments as available-for-sale. As these investments do not have a readily available market value, the assets are carried at cost.

Held to maturity assets are those non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has an intention and ability to hold until maturity, excluding those assets that have been classified as held-for-trading, available-for-sale, or loans and receivables. The Co-operative does not have any financial instruments classified as held for trading.

Financial instruments classified as loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest. These assets do not include debt securities or assets classified as held-for-trading. The Co-operative classifies accounts receivable as loans and receivables.

Accounts payable, patronage allocations, long-term debt, savings certificates and preferred shares are classified as other financial instruments and are measured at cost or amortized cost.

(d) Financial instruments - disclosure and presentation

Section 3861 establishes standards for the presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

(e) Contributed services

The elected board of directors is not compensated for their volunteer time for the provision of governance services to the Co-operative. The fair value of these services has not been reported in the financial statements as the value cannot be reliably determined.

Yellowknife Direct Charge Co-operative Limited

Notes to the Summarized Financial Statements

November 3, 2007

2. Significant accounting policies (continued)

(f) Inventory

Inventories are determined by the retail method which involves pricing of individual items at selling price and the reduction of the amounts so determined to the lower approximate cost and net realizable value less normal profit margin by the application of markup ratios.

(g) Investments

The company recognizes interest revenue as earned, patronage dividends when declared, and investment gains and losses when realized. Interest revenue includes amortization of any premium or discount recognized at the date of purchase. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Unrealized gains and losses on available for sale financial instruments are recorded in OCI and recognized in net income when realized.

When the fair value of an investment falls below its cost, and the decline is determined to be other than temporary, a loss equivalent to the difference between cost and current fair value is recorded in the income statement.

(h) Property and equipment

Property and equipment are recorded at original cost plus any costs of betterment less accumulated amortization and recognized impairment write-downs. Amortization is calculated by the declining balance method at the annual rates set out in note 4. Amortization is calculated on a prorated basis in the year of acquisition and in the year of disposition.

(i) Future income taxes

Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount and their tax bases. Future income tax assets are recognized for the benefit of any deductions or losses available to be carried forward to future periods for tax purposes that are likely to be realized. These amounts are measured using enacted or substantively enacted tax rates and are re-measured annually for changes in these rates. Any future income tax assets are reassessed each year to determine if a valuation allowance is required. Any effect of the re-measurement or reassessment is recognized in the period of the change.

(j) Preferred shares

The preferred shares issued and outstanding are classified as a liability because they are redeemable on demand at the option of the holder at the end of the 5 year mandatory term. The current portion of the preferred shares consists of those shares whose term will mature within the next fiscal year.

Yellowknife Direct Charge Co-operative Limited

Notes to the Summarized Financial Statements

November 3, 2007

2. Significant accounting policies (continued)

(k) Revenue recognition

Supermarket and gas bar revenue is recognized at point of sale. Rental income is recognized in the month in which the accommodation is provided. Patronage allocations are recognized when received or receivable if the amount can be reliably determined.

(l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Investments

	2007	2006
ACL - shares	\$ 3,264,053	\$ 3,029,485
Arctic Co-operative Development Fund (ACDF) - shares	22,620	22,620
	\$ 3,286,673	\$ 3,052,105

The investments are classified as available-for-sale; however, as there is no ready market for the Co-operative's investment in ACL, the investment is recorded at cost plus accumulated share dividends. Dividends are recorded as revenue in the year received. Each year the board of directors of ACL reviews the cash requirements of the organization and the Co-op system. Based on those requirements, the board of directors will make a decision on the amount, if any, of Member Co-op share capital that will be redeemed in cash.

4. Property and equipment

		2007	2006		
	Rate	Cost	Accumulated Amortization	Net book value	Net book value
Land		\$ 573,118	-	\$ 573,118	573,118
Buildings	4%	8,457,755	2,230,540	6,227,215	6,489,918
Paving	8%	460,728	141,169	319,559	341,206
Tanks and equipment	10%	1,388,562	496,222	892,340	955,043
Equipment	20%	3,656,183	2,595,135	1,061,048	1,152,623
Furniture & fixtures	20%	36,045	23,976	12,069	13,147
Automotive	30%	78,792	63,217	15,575	22,250
Computer equipment	30%	265,643	227,832	37,811	50,033
Computer software	50%	144,927	135,783	9,144	18,288
Landscaping	100%	52,503	26,252	26,251	-
		\$ 15,114,256	\$ 5,940,126	\$ 9,174,130	\$ 9,615,626

Yellowknife Direct Charge Co-operative Limited

Notes to the Summarized Financial Statements

November 3, 2007

5. Future income taxes

The corporation follows the tax allocation method of accounting for income taxes whereby the income tax provision is based on the income reported in the accounts. Under this method, the corporation makes full provision for income taxes deferred as a result of claiming revenues and expenses for income tax purposes on a different basis than that for accounting purposes.

6. Bank indebtedness

	<u>2007</u>	2006
Cheques in excess of deposits	\$ 46,426	\$ -

The bank has authorized an overdraft to a maximum of \$900,000. The outstanding balance bears interest at prime plus 0.5%.

7. Long-term debt

	<u>2007</u>	2006
Toronto Dominion Bank fixed rate term facility repayable in monthly blended payments of \$39,399.89, including interest at 6.29%, compounded semi-annually. Loan secured by all real property located at 321 Old Airport Road (Lot 24, Block 512, Plan 2249) in the principal amount of \$5,745,000, a General Security Agreement and a Postponement Agreement between the Toronto Dominion Bank and ACL. Due February 2015.	\$ 2,697,888	\$ 3,011,839
Less current portion	287,928	281,160
	<u>\$ 2,409,960</u>	<u>\$ 2,730,679</u>

Estimated principal repayments are as follows:

2008	\$ 287,928
2009	309,357
2010	332,381
2011	357,118
2012	383,696
Subsequent years	1,027,408
	<u>\$ 2,697,888</u>

Yellowknife Direct Charge Co-operative Limited

Notes to the Summarized Financial Statements

November 3, 2007

8. Savings certificates

Savings certificates are issued in \$50 increments to members whose share capital account exceeds \$2,500. These certificates bear interest of 3% and may be paid out or renewed at the end of three years at the option of the holder. The current portion represents the certificates which will mature during the next fiscal year.

	2007	2006
Savings certificates	\$ 1,309,599	\$ 1,233,983
Accrued interest	37,547	48,744
Less current portion	454,270	132,516
	\$ 892,876	\$ 1,150,211

9. Preferred shares and debentures

Unsecured Series II debentures have been issued for 5 year terms with varying rates of interest depending upon year of issue. The current portion consists of debentures which will mature within the next fiscal year. Upon maturity these debentures may be re-invested for an additional term or paid out at the option of the holder.

	2007	2006
Unsecured 5 year debentures	\$ 81,501	\$ 97,409
Accrued interest on debentures	14,580	13,676
Less current portion	12,464	57,848
	\$ 83,617	\$ 53,237

Preferred shares and debentures have been issued under the Risk Capital Investment Tax Credits Act of the Northwest Territories. The terms of this program require that the investor purchase an equal value of preferred shares and debentures and that these securities may not be sold or redeemed for 5 years. Preferred shares issued under this program will have no dividends, no interest and no other return. Debentures issued under this program are unsecured and will bear interest at a rate of 5.5% per annum with all interest thereon payable on maturity. Holders of these securities are eligible for a Risk Capital Investment Tax Credit which will be applied for each year by the Co-operative and the certificates issued to the investors.

Preferred shares	\$ 305,325	\$ 312,825
Debentures	332,820	332,820
Accrued interest on debentures	85,561	63,596
Less current portion	485,919	14,680
	\$ 237,787	\$ 694,561

Yellowknife Direct Charge Co-operative Limited

Notes to the Summarized Financial Statements

November 3, 2007

10. Share capital

Members are required to purchase a minimum amount of shares upon application for membership. As members make purchases, a percentage - referred to as an upcharge, is added to their share capital account. When patronage dividends are authorized a portion of the dividend, as established by the board of directors, may also be applied to a member's share account rather than paid out in cash. When a member's share account exceeds \$2,500 the shares are converted into certificates as described in note 8. Shares may be redeemed upon approval by the board of directors when a member requests to cancel their membership or in exceptional circumstances at the discretion of the board.

	2007	2006
Authorized		
Unlimited number of Class A voting shares		
Issued		
Member shares	\$ 4,409,756	\$ 4,232,845
Changes in share capital		
	2007	2006
Opening	\$ 4,232,845	\$ 4,234,496
Shares issued	438,692	478,591
Shares redeemed	(261,781)	(480,242)
Closing	\$ 4,409,756	\$ 4,232,845

Yellowknife Direct Charge Co-operative Limited

Notes to the Summarized Financial Statements

November 3, 2007

11. Statutory reserve

The Co-operative Associations Act of the Northwest Territories requires that:

(1) a reserve for contingencies be established and must be:

- (a) a minimum of 20% of the earnings available for distribution to the members
- (b) shall not be distributed to the members

(2) the above section (1) does not apply when its reserve for contingencies reaches an amount equal to:

- (a) 30% of that value, if the value of the total assets of the association is \$50,000 or less;
- (b) \$15,000 plus 20% of the amount by which the value exceeds \$50,000, if the value of the total assets of the association exceeds \$50,000 but equal to or is less than \$150,000; or
- (c) \$35,000 plus 10% of the amount by which the value exceeds \$150,000, if the value of the total assets of the association exceeds \$150,000.

The reserve for contingencies, as indicated below, has reached the amount under section (2) of \$1,447,340.

	2007	2006
Opening balance	\$ 1,395,533	\$ 1,393,504
Transfer from undistributed savings	51,807	2,029
	\$ 1,447,340	\$ 1,395,533

12. Supplemental cash flow information

	2007	2006
Interest paid	\$ 204,705	\$ 197,796
Interest received	\$ 10,793	\$ 21,122

13. GST audit adjustment

The Co-operative underwent a GST audit by Canada Revenue Agency (CRA) and were assessed as owing \$180,646 in GST and \$35,298 in interest and penalties. The Co-operative paid \$49,729 of the GST amount owing in 2006 but filed a notice of objection disputing the remaining \$130,917 GST assessment and the amounts owing for interest and penalties. The Co-operative has been successful in appealing \$27,905 of the remaining \$130,917 GST assessment and has decided to take a conservative approach and recognize the impact of the remaining GST assessment owing plus interest and penalties in the current year. \$46,803 has been added to the cost of tanks and equipment as the GST was incurred to purchase these capital assets. The remaining \$56,209 plus interest and penalties has been recognized as an expense on the income statement. The Co-operative plans to appeal the remaining disputed amount of \$103,012 and the amounts owing for interest and penalties and are confident that they will be successful in their appeal.

Yellowknife Direct Charge Co-operative Limited

Notes to the Summarized Financial Statements

November 3, 2007

14. Employee future benefits

Co-operative employees are eligible to participate in a defined contribution pension plan as administered by the Co-operative Superannuation Society Pension Plan, which serves more than 498 member organizations and their employees. The company will match employee contributions into the pension plan at a rate of 6%. During the current period the Co-operative contributed \$102,993 into the pension plan on behalf of their employees.

15. Financial instruments

Financial instruments consist of recorded amounts of cash, accounts receivable, and investments which will result in future cash receipts, and accounts payable and accrued liabilities, patronage allocation, long-term debt, saving certificates, and preferred shares and debentures which will result in future cash outlays.

The Co-operative is exposed to the following risks in respect of certain of the financial instruments held:

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Co-operative is exposed to credit risk from customers. However, the Co-operative has a significant number of customers which minimizes concentration of credit risk.

(b) Interest rate risk

Interest rate risk is the risk that cash flows will fluctuate with interest rate changes in order to meet debt obligations. The Co-operative is exposed to interest rate risk through its long-term debt. The Co-operative manages its interest rate risk by using fixed rate borrowing facilities.

(c) Interest rate price risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Co-operative is exposed to interest rate price risk in its long-term debt, savings certificates and preferred shares.

16. Income taxes

For income tax purposes, the Co-operative has non-capital losses of \$318,409 which can be applied to reduce future years' taxable income. This loss expires in 2014. The future income tax benefit resulting from these losses has been recorded in the financial statements.

17. Co-operative association

The ACL buying group consists of 33 autonomous member Co-operatives across the north. As such, purchases are made primarily through ACL in order to take advantage of the purchasing services and pricing available to the group. Patronage dividends are received based upon the undistributed savings of the ACL and the value of the member Co-operative's purchases for the year. ACL provides each member Co-operative with management, technical and operational support. Membership in ACL also allows access to the FCL buying group.

Finance Committee Report

Committee members: John Monroe – Chair, Mark Needham, Leanne Tait, Jeff Gardiner, Deb Simpson

Your Co-op is reporting a surplus of \$684,000 after taxes for the year ending November 3, 2007. This surplus allows us to declare a patronage dividend to member/owners of \$625,000 for the year, of which \$500,000 will be in cash.

This higher surplus is in part due to higher margins on automotive fuels. Late in fiscal 2006, your Co-op Board chose to change our fuel supplier for the gas bar. While there was a cost associated with changing suppliers, the lower fuel supply costs over the past 18 months have more than covered this additional one time expense.

Sales of fuel in litres for the second half of the year were down from the previous year due to the decision to change the way the fuel discount is paid to member/owners. This reduction was expected.

During the year, member/owners benefited from discounts totaling \$690,000 on fuel purchases. Part of this discount was paid at the pump during November 2006 to March 2007, while the balance was paid in December 2007. As well, member/owners received a total of over \$100,000 in rebates from the Blue Wave Energy (Shell) home heating discount.

The heating oil discount, fuel discount and patronage together added up to a total of more than to \$1.4 million going back to member/owners, of which \$1.3 million is in cash.

During the year, total sales increased by about two per cent, from \$35.5 million to \$36.2 million. Lower fuel sales in the second half of the year and a slight reduction in the population of Yellowknife contributed to slowing the growth of sales.

We are projecting that sales growth may continue to flag with shrinkage of the population, and increased competition, but we are working to mitigate reduced sales through more strategic buying, and managing all manner of costs.

Membership Committee Report

Committee members: Mark Needham - Chair, Jeff Gardiner, John Monroe, Deb Simpson and Leanne Tait.

The Membership Committee meets monthly. The mandate of the Committee is to deal with member/owner requests and determine ways to better serve you, the member/owners. The creation of the Environment Committee, a sub-committee to the Membership Committee is an example of how your Co-op is able to respond to requests from member/owners.

Through 2007 Co-op membership increased to 4535 member/owners. People shared that the main reasons they joined the Co-op were discounts on fuel and heating oil, the quality of the meat department, selection and availability of products, family oriented atmosphere, friendly customer service, choice of organic products, and the fact the Co-op is such a great supporter of our community.

The Membership Committee considers reports from management about Co-op supported activities of community groups, such as grocery packing and car washing, which are among the higher profile activities. These opportunities can be quite successful as a means of fund raising.

The Committee also reviews special requests for donations. Again the main focus is to support youth and other activities which take place within our community.

In the past year, your Co-op donated over \$50,000 in product and cash to the community. Other significant activities include assisting in the "stuff the bus" drive and allowing Salvation Army and Food Bank members to raise funds in the store.

Our member/owners also contributed close to \$17,000 to the Food Bank in 2007. This program is so successful it will be expanded to other groups in 2008.

Through these two initiatives alone, your Co-op contributed \$65,000 to the community. Other initiatives, such as grocery bag packing and car washes are harder to quantify, but we estimate that such support by the Co-op and member-owners provided in excess of \$100,000 in community support this past year, proving once again that your Co-op really is a community builder.

Special events and promotions, such as World Food Day celebrations, Co-op Week, Down East Days and Western Days, as well as other member/owner appreciation events, are planned through the Membership Committee.

The Membership Committee is occasionally called upon to consider unusual requests or concerns from member/owners. The Committee develops the response that will be provided to the member/owner(s), often in so doing, developing policy to guide management in similar situations that might arise in the future.

The Co-op used book exchange for the convenience and benefit of our member/owners has been very well received. We will continue to look at other ways to enhance value to our member/owners.

The Membership Committee would like to express a personal note of thanks to Ben Walker, General Manager and to Margaret Woodley, Member Services Manager for the support and aid they provided to the Committee over the year.

Environment Committee Report

Committee Members: Jeff Gardiner – Chair, France Benoit, Marino Casebeer, Nancy Cymbalisky, Christa Domchek, Kevin Kennedy, Ben McDonald

The Co-op created an Environment Committee in late 2006 as a subcommittee of the Membership Committee and invited interested Co-op member/owners to help the Co-op Board and management identify and reduce negative environmental impacts of the Co-op's operations.

In addition, the Environment Committee works to recommend products, activities and opportunities to help Co-op member/owners reduce negative environmental impacts in their lives and activities.

Over the past year, your Environment Committee has discussed composting, plastic bag usage, energy consumption, recycling, landscaping and promoting bicycle use.

As a result of these discussions, the Co-op Board decided to poll the membership about plastic bags and possible ways we can reduce waste. Through this awareness campaign, the Co-op has increased sales of low cost fabric re-usable bags and reduced the amount of plastic single use bags that have left the store.

The Environment Committee continues to look at ways we can improve our environmental impact and any member/owner that is interested in sitting on this committee is invited to contact Member Services for further information.

Scholarship Committee Report

Committee Members: Deb Simpson - Chair, Hilary Jones and Tim Mercer

The Co-op annually offers scholarships to students who display strong leadership skills, are active in their school and community and who have shown strong academic performance.

Each year the Scholarship Committee receives many qualified applications for these awards, and each year the decisions are difficult to make. The following students were selected for the scholarships.

(This group – high schools grads)

1. Rebecca Mahler
2. Laura McLeod
3. Muna Shoblak
4. Mike McCormick (Judy Wilson Memorial Scholarship)
5. Hazem Shoblak

(This group – university students)

6. Jeannie Mathison
7. Kirstin Mahler
8. Michelle Bourgois
9. Lindsay Beck (received \$500) (Ted Sabine Memorial Scholarship)

Mike McCormick was named the Judy Wilson Memorial Scholarship recipient. This scholarship is named in honour of Judy Wilson, a former Board member and chair of the Scholarship Committee.

Lindsay Beck was named the Ted Sabine Memorial Scholarship recipient. Ted played a leading role in establishing the Yellowknife Co-op and was an early director.

Each Memorial Scholarship recipient's name is added to a commemorative plaque which is on display at the Co-op.

The committee is also working on updating the Scholarship application form and selection criteria.

Governance and Compensation Committee Report

Committee members: Deb Simpson – Chair, Hilary Jones, Mark Needham, Susan Ledrew, John Monroe, Jeff Gardiner and Leanne Tait

The Governance and Compensation Committee was established in 2004. The Committee makes recommendations for approval by the Board in a number of areas:

1. establishing Board policy;
2. recommending management compensation plans, including executive performance incentives;
3. establishing standards of performance;
4. assessing the performance of the Board;
5. setting management goals and objectives; and
6. assessing the performance of the General Manager.

The Governance and Compensation Committee has completed a review of the pay grid for management personnel and is working on updating existing Board policies. The Committee has also drafted a new organizational chart for the Co-op.

General Manager's Report

Overall, 2007 was our best year since our expansion was completed. Net savings for the year were substantial and sales were steady despite strong competition in the food market.

The board of directors has decided to return \$625,000 back to the member/owners with \$500,000 of that to be paid back in cash. The payback in Blue Wave (Shell) heating oil rebates will total more than \$100,000. When the cash from fuel purchases for the last fiscal year are paid out in June we will have paid out over \$690,000 in discounts to our member/owners. It is an impressive total of more than \$1.4 million given back to the membership.

As food margins continue to shrink, it is important to look for new avenues of revenue, as well as opportunities to control and reduce expenses. Last year was a breakthrough year on a number of fronts. The new fuel supply deal negotiated in late 2006 contributed substantially to this year's bottom line. Last year we were able to sign to a five year collective agreement with our employees, something that is almost unheard of in today's food industry.

Also last year we turned to our partner in transportation, RTL, for a contract hauling of petroleum from Hay River instead of from Edmonton that reduced our costs and added even more value to our partnership. This April we entered into an additional three year freight contract that includes Arctic Co-op. This insures not only fair freight costs for your Co-op but also our sister Co-ops in the north that use road transportation.

One of the most exceptional accomplishments was the new five year agreement negotiated by Leanne Tait and John Monroe with Arctic Co-operatives for services and support. The new agreement will save our Co-operative close to a \$1 million over the next 5 years. Both parties are looking forward to an era of profitability and co-operation in our new partnership in the Federation.

In the past year we were able to add a number of items that we believe enhanced our member/owners' shopping experience. The bakery saw the addition of new display shelving for our commercial bread and the installation of new bulk food dispensers. The dispensers allowed us to increase our selection by 50% and it has paid off with a substantial increase in sales.

The grocery department added new promotion end caps to each aisle that not only improves the image of the department, but enables us to better utilize our side boards for additional sales.

We also entered into a new agreement to install new and faster water filtration machines. They have also been moved to the main floor for better member/owner access.

The Deli department added new Henny Penny fried chicken equipment to produce a quality and tasty product that uses no trans-fats. Sales have been exceptional since we introduced the program.

Your co-op will continue to explore different ways to enhance the Co-op experience. In that endeavour I have to look to the people that make our co-operative a success.

I would first like to thank our employees; they are second to none in our city. We, like many others in this booming economy, are constantly looking to fill all our vacant job positions. Fortunately, we have a solid backbone of long term employees in each department who are able to step up to the plate to meet our member/owners' expectations. Over the past year we have lost some of our valuable management team to opportunities outside of the Co-op family but we are very fortunate to be able to recruit or promote from within to fill the void.

Finally, I would like to thank our member/owners for the confidence and support they showed last year that made it a year to remember.

Ben Walker
General Manager

Donation Report 2007

1st Yellowknife Scouts
440 Squadron
Aboriginal Graduate Honour Ceremony
Association Franco-culturelle de Yellowknife
Aurora College
Aurora Minor Soccer League
Aven Manor
Bosco Homes
Canadian Association for Suicide Prevention
Canadian Cancer Society (NWT area)
Canadian Diabetes Association (NWT branch)
Canadian Parks and Wilderness
Canadian Public Health Association
City of Yellowknife Bicycle Rodeo
CNIB – Walk for Independence
Dene/Metis Funspiel
Ducks Unlimited
Ecology North
Elks Club
Festival of the Midnight Sun
Festival of Trees
Folk on the Rocks
Foster Family Coalition
Great Slave Skating Centre
Great Slave Snowmobile Association
Heart & Stroke Foundation
Hotshots High Performance Basketball
Kids Help Bowlathon
Law Enforcement Torch Run
Military Family Resource Centre
Native Women's Association Victim Services
NWT Broomball Association
NWT Council of Persons w/Disabilities
NWT Literacy Council
NWT Seniors' Society
NWT Speed Skate Association
NWT Women's Association
Public Health Unit for TB World Day
RCMP Charity Golf Tournament
Royal Canadian Army Cadet Corps
Royal Canadian Legion
Run for Our Lives
Salvation Army
Side Door Youth Centre
Stanton Foundation
Status of Women
Terry Fox Run
Tim Horton's Children's Foundation
Tree of Peace Friendship Centre
Trout Unlimited – Kid Fly Foundation
Urban Art
Walk to Cure Diabetes
World No Tobacco Day
Yellowknife Association for Community Living
Yellowknife Choral Society
Yellowknife Community Garden Collective
Yellowknife Curling Club Family day Bonspiel
Yellowknife Dart Association
Yellowknife Family Centre
Yellowknife Food Bank
Yellowknife Guild of Arts and Crafts
Yellowknife Gymnastics Club
Yellowknife Homelessness Coalition
Yellowknife Learn to Play
Yellowknife Minor Hockey Association
Yellowknife Multisport Club
Yellowknife Playgroup Association
Yellowknife Polar Bear Swim Club
Yellowknife Schools
Yellowknife Seniors' Society
Yellowknife Ski Club
Yellowknife United Athletic Club
Yellowknife United Soccer Club
Young Women's Christian Association

Buyers' Club Members

<u>Business</u>	<u>Phone No.</u>	<u>Discount</u>
Co-op Gas Bar	873-5770	9% discount on gas and diesel
Co-op/Bluewave Energy	873-8500	\$.0325/l. rebate from Co-op on home heating fuel
Am Way Products	873-5384	10% off products
Arctic Insurance Brokers	873-6398	Discounts for Co-op member-owners. Call for details.
Bartle & Gibson	920-2248	10% off plumbing, electrical & heating
Blachford Lake Lodge	873-3303	10% off all regular packages offered
Body Works	873-2834	Corporate rate with authorization form
Creative Basics	920-2486	15% off selected items
Great Slave Graphics	920-2834	10% off
Henry's Barber Shop	873-2101	\$2 off haircuts with Co-op card
Investors Group RRSP	873-3000	No Load RRSP's
J/T Electric	873-6158	10% off parts and labour
Key West Travel	873-2121	5% off preferred vacation tour suppliers
Matco	873-3333	10% off local moves
Micrographics Computer Sales & Service	873-2220	Special pricing for Co-op member/owners
Northern Images	873-5944	10% off (except for certain items)
Superior Propane	873-5551	\$.026 per litre discount on propane
TLC Marine	920-2260	10% off parts and accessories/10% off outboards
Visual Effects	873-3536	10% off framing

