

FarmWorks Investment Co-operative Limited
Management Prepared
Interim Financial Statements
For the ten-month period ended October 31, 2025

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FarmWorks Investment Co-operative Limited Statement of Financial Position

	October 31, 2025	December 31, 2024	January 1, 2024
Assets			
Current			
Cash	\$ 648,216	\$ 290,245	\$ 320,806
Term deposit	52,168	50,565	50,705
Loans receivable - current portion (Note 4)	930,474	1,112,133	1,013,874
Current taxes receivable (Note 6)	79,415	-	-
	1,710,273	1,452,943	1,385,385
Loans receivable (Note 4)	3,102,217	3,220,400	3,048,655
	\$ 4,812,490	\$ 4,673,343	\$ 4,434,040
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities	\$ 13,397	\$ 3,853	\$ 4,034
Current taxes liabilities		14,567	9,267
Deferred tax liabilities (Note 6)	59,849	75,500	45,050
	73,246	93,920	58,351
Shareholders' Equity			
Share capital (Note 5)	5,214,600	5,069,600	4,797,400
Deficit	(475,356)	(490,177)	(421,711)
	4,739,244	4,579,423	4,375,689
	\$ 4,812,490	\$ 4,673,343	\$ 4,434,040

Approved by the Board:

Director

Director

FarmWorks Investment Co-operative Limited Statement of Comprehensive Income

For the 10-month period ended October 31	2025	2024
Revenue		
Interest income	\$ 193,282	\$ 188,318
Loan losses recovered	-	-
Grants and subsidies	11,250	-
Miscellaneous	4,921	3,570
	<u>209,453</u>	<u>191,888</u>
Operating expenses		
Administrative fees	6,363	5,000
Advertising expense	7,688	9,485
Loan loss impairment	169,367	83,368
Board expense	2,210	5,403
Client related expense	6,428	6,872
Office expense	22,078	23,253
Professional fees	35,116	19,105
Share offering and promotion	7,186	4,030
Wage expense	33,262	47,104
	<u>289,698</u>	<u>203,620</u>
Loss before income taxes	(80,245)	(11,732)
Income tax provision (Note 6)	(95,066)	37,622
Net income (loss)	\$ 14,821	\$ (49,354)

FarmWorks Investment Co-operative Limited Statement of Changes in Shareholders' Equity

	Share Capital	Retained Earnings (Deficit)	Total
Balance at January 1, 2024	\$ 4,797,400	\$ (421,711)	\$ 4,375,689
Net loss, ten-month period ended October 31, 2024	-	(49,354)	(49,354)
Net increase in shares	329,200	-	329,200
Balance on October 31, 2024	5,126,600	(471,065)	4,655,535
Net income, 12-month period ended October 31, 2025	-	-	-
Net increase in shares	88,000	(4,291)	83,709
Balance on October 31, 2025	\$ 5,214,600	\$ (475,356)	\$ 4,739,244

FarmWorks Investment Co-operative Limited Statement of Cash Flows

For the 10-month period ended October 31	2025	2024
Operating activities		
Net loss	\$ 14,821	\$ (49,354)
Adjustments for:		
Loan loss impairment	169,367	83,368
Income taxes payable	(109,633)	16,718
	<u>74,555</u>	<u>50,732</u>
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	9,544	15,293
	<u>84,099</u>	<u>66,025</u>
Total cash inflows (outflows) from operating activities	84,099	66,025
Financing activities		
Redemption of share capital	(155,000)	(145,800)
Issuance of share capital	300,000	475,000
	<u>145,000</u>	<u>329,200</u>
Total cash inflows from financing activities	145,000	329,200
Investing activities		
Issuance of loans receivable	(690,000)	(1,111,000)
Collection of loans receivable	818,872	762,069
	<u>128,872</u>	<u>(348,931)</u>
Total cash inflows (outflows) from investing activities	128,872	(348,931)
Net increase (decrease) in cash	357,971	46,294
Cash, beginning of year	290,245	321,283
Cash, end of year	\$ 648,216	\$ 367,577

Refer to Note 7 for supplementary cash flow information.

FarmWorks Investment Co-operative Limited

Notes to Financial Statements

At October 31, 2025

1. Nature of Operations

FarmWorks Investment Co-operative Limited (the "Co-operative") was incorporated on May 17, 2011 under the laws of Nova Scotia and commenced operations on May 17, 2011. The Co-operative is engaged in promoting and providing strategic and responsible community investment in food production, distribution and preparation in order to increase access to a sustainable local food supply for all Nova Scotians.

2. Basis of Presentation

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations (collectively "IFRS Accounting Standards").

(b) Basis of Measurement

These financial statements were prepared under the historical cost convention, except for financial assets classified as fair value through profit and loss ("FVTPL").

These financial statements were also prepared in accordance with the Nova Scotia Securities Commission's Blanket Order No. 51-504 which requires interim financial statements to include:

- a balance sheet as at the end of the interim period October 31, and a balance sheet as at the end of the immediately preceding financial year, which is December 31.
- an income statement, a statement of retained earnings and a cash flow statement all for the year-to-date interim period October 31, 2025, and comparative information for the corresponding interim period in the immediately preceding financial year, which is October 31, 2024.

The Co-operative's functional and presentation currency is the Canadian dollar.

(c) Judgment and Estimates

The preparation of financial statements in compliance with IFRS Accounting Standards requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Co-operative's accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The determination of impairment of loans receivable; assessing whether credit risk on the financial asset has increased significantly since initial recognition; and the incorporation of forward-looking information into the measurement of the expected credit loss ("ECL") (Note 4);

FarmWorks Investment Co-operative Limited

Notes to Financial Statements

At October 31, 2025

2. Basis of Presentation (continued)

(c) Judgment and Estimates (continued)

- The classification of financial assets, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding, and how the business model's objective is achieved (Note 4); and
- The Co-operative determines the fair value of certain financial instruments using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows (Note 4).

In addition, in preparing the financial statements, the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgemental.

3. First-time Adoption of IRS Accounting Standards

Effective January 1, 2025, the Co-operative adopted the requirements of the accounting framework, International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IRS Accounting Standards). These are the Co-operative's first financial statements prepared in accordance with this framework and the transitional provisions of IRS 1, First-time adoption of International Financial Reporting Standards, have been applied. IRS 1 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The material accounting policy information has been applied in preparing the financial statements for the 10-month period ended October 31, 2025, the comparative information presented in these financial statements for the year ended December 31, 2024 and the period ended October 31, 2025, and in the preparation of an opening IRS Accounting Standards balance sheet at the date of transition of January 1, 2024.

The Co-operative issued financial statements for the year ended December 31, 2024 using Canadian accounting standards for private enterprises (APSE). The adoption of IRS Accounting Standards resulted in adjustments to the previously reported assets, liabilities, equity, net income and cash flows of the Co-operative. All adjustments were charged to retained earnings. The charges to retained earnings at the date of transition of January 1, 2024 were as follows:

	January 1, 2024
Opening retained earnings (deficit), Pre-changeover Accounting Standards	\$ 61,488
Increase in allowance for estimated credit losses	(438,149)
Increase in deferred income tax liability	(45,050)
Opening retained earnings (deficit), IRS Accounting Standards	<u>\$ (421,711)</u>

FarmWorks Investment Co-operative Limited

Notes to Financial Statements

At October 31, 2025

3. First-time Adoption of IRS Accounting Standards (continued)

A reconciliation of the net income reported in the Co-operative's October 31, 2024 interim financial statements to its net income under IRS standards for the same period is as follows:

	October 31, 2024
Net loss, Pre-changeover Accounting Standards	\$ (218,587)
Decrease in loan loss impairment expense	180,570
Increase in deferred income tax expense	(30,450)
Net loss, IRS Accounting Standards	\$ (68,467)

4. Loans Receivable

Loans receivable are broken down as follows:

	October 31, 2025	December 31, 2024
Farm loans	\$ 1,442,566	\$ 1,393,596
Retail/hospitality loans	3,417,679	3,597,125
Allowance for loan impairment	(827,554)	(658,188)
Total loans receivable	4,032,691	4,332,533
Current portion of loans receivable	(930,474)	(1,112,133)
Long-term portion of loans receivable	\$ 3,102,217	\$ 3,220,400

Loans as a percentage of total amount of outstanding loans:

	October 31, 2025		December 31, 2024	
	As a % of total	\$	As a % of total	\$
Loans less than \$50,000	32	\$ 1,545,447	34	\$ 1,686,707
Loans from \$50,000 - \$100,000	22	1,067,659	29	1,428,003
Loans greater than \$100,000	46	2,247,139	37	1,876,012
	100	\$ 4,860,245	100	\$ 4,990,722

FarmWorks Investment Co-operative Limited Notes to Financial Statements

At October 31, 2025

4. Loans Receivable (continued)

Loans as a percentage of total number of clients:

	October 31, 2025	December 31, 2024
	As a % of total	As a % of total
Loans less than \$50,000	70	84
Loans from \$50,000 - \$100,000	15	10
Loans greater than \$100,000	15	6
	100	100

Terms and Conditions

Loans receivable are for a five year term except for loans in excess of \$100,000 which may have five to ten year terms. The interest rate offered on loans receivable being advanced at October 31, 2025 is fixed to 6.00%.

Loans receivable are unsecured.

In some circumstances when a loan has suffered an impairment loss because of the discontinuance of the client's business, the interest portion of any future payment is forgiven. These amounts are included in the loan loss provision.

Recognition and Initial Measurement

The Co-operative initially recognizes loans receivable on the date on which they are originated. Loans receivable are initially measured at fair value.

Classification and Subsequent Measurement

Loans receivable are classified and subsequently measured at amortized cost, using the effective interest rate method, because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Loans receivable are subsequently reduced by any allowance for loan losses.

FarmWorks Investment Co-operative Limited

Notes to Financial Statements

At October 31, 2025

4. Loans Receivable (continued)

Precognition and Contract Modifications

The Co-operative recognizes loans receivable when the contractual rights to the cash flows from the loans receivable expire.

On recognition, the difference between the carrying amount at the date of recognition and the consideration received is recognized in profit or loss.

If the terms of a loans receivable are modified, then the Co-operative evaluates whether the cash flows of the modified loan receivable is substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original loan receivable is deemed to have expired and are unrecognized and a new loan receivable is recognized at fair value.

Credit Risk

Credit risk is the risk of financial loss to the Co-operative if a customer or counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the Co-operative'S loans receivable.

Credit Risk Management

The Co-operative'S credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to assess and manage credit risk and that the overall credit risk policies are complied with at the business and transaction level.

The Co-operative'S credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans, and loan administration;
- Procedures outlining temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears.

Credit risk is then monitored by the Board of Directors who receive bi-monthly reports summarizing new loans and delinquent loans. The Board of Directors also receives an analysis of bad debts and allowance for loan loss impairment bi-monthly.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

FarmWorks Investment Co-operative Limited

Notes to Financial Statements

At October 31, 2025

4. Loans Receivable (continued)

Amounts Arising from ECL

The Co-operative recognizes an allowance for loan losses for ECL in net income.

The Co-operative measures allowance for loan losses at each reporting date according to a three-stage ECL model as follows:

Stage	1 - No Significant Increase in Credit Risk Since Initial Recognition	2 - Significant Increase in Credit Risk Since Initial Recognition	3 - Credit-Impaired
Definition	From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition.	Following a significant increase in credit risk (SICR) relative to the initial recognition of the financial asset.	When a financial asset is considered to be credit-impaired (i.e. when credit default has occurred).
Criteria for movement	At origination, all loans receivable are categorized into stage 1. Migration back to stage 1 may occur upon approval of loan officers if all signs of previous credit deterioration are remedied.	The Co-operative determines a SICR has occurred in loans receivable when there are recurring missed payments, interest only payments or reduced payment plan, or adverse forecast of cash flows. Additionally, the Co-operative incorporates forward-looking information into its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition.	A loan receivable is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the loan have occurred: <ul style="list-style-type: none"> • a breach of contract such as a default or delinquency in interest or principal payments; • significant financial difficulty of the borrower; • missed three payments of principal and interest; or • it is becoming probable that the borrower will enter bankruptcy or other financial reorganization. A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.
ECL methodology	Impairment is estimated based on the expected losses over the expected life of loans receivable arising from default events occurring in the next 12 months (12- month expected credit loss)	Impairment is estimated based on the expected losses over the expected life of loans receivable arising from default events occurring in the lifetime of the instrument (lifetime expected credit loss)	

FarmWorks Investment Co-operative Limited

Notes to Financial Statements

At October 31, 2025

4. Loans Receivable (continued)

Amounts Arising from ECL (continued)

Collective or individual assessment	Collective assessment of loans receivable grouped on the basis of similar risk characteristics based on loan type, industry, and the historical loss experience. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.	Each credit-impaired loan receivable is individually assessed.
Application of ECL methodology	Expected credit loss on a group of loans receivable is measured on the basis of a loss rate approach. The Co-operative develops loss rates for loans receivable in stage 1 and loss rates for loans receivable stage 2, based on historical default and loss experiences for those types of loans receivable, adjusted for current economic conditions and forecasts of future economic conditions.	The probability of default on credit-impaired loans receivable is 100%, therefore, the key estimation relates to the amount of the default. Expected credit loss on a credit-impaired loan is measured based on the Co-operative's best estimate of the difference between the loan's carrying value and the present value of expected cash flows discounted at the loan's original effective interest rate.
Key forward-looking information	Local unemployment rates, local economic outlook, credit environment, and other relevant economic variables impacting subsets of the Co-operative's clients. The ECL calculation is sensitive to forward-looking scenarios and their respective probability weightings as at the reporting date.	

Credit Quality Analysis

The following tables set out information about the credit quality of loans receivable based on their level of delinquency. Unless specifically indicated, the amounts in the table represent gross carrying amounts and include accrued interest.

	October 31, 2025			December 31, 2024	
	12-Month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total	Total
Loans Receivable					
Farm	\$ 1,234,672	\$ 200,146	\$ 7,748	\$ 1,442,566	\$ 1,393,597
Retail/Hospitality	1,984,214	572,677	860,788	3,417,679	3,597,125
	3,218,886	772,823	868,536	4,860,245	4,990,722
Allowance for loan losses	(52,421)	(153,954)	(621,179)	(827,554)	(658,188)
Carrying amount	\$ 3,166,465	\$ 618,869	\$ 247,357	\$ 4,032,691	\$ 4,332,534

FarmWorks Investment Co-operative Limited

Notes to Financial Statements

At October 31, 2025

4. Loans Receivable (continued)

Write-off

Loans receivable are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Co-operative determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Co-operative to reduce any differences between loss estimates and actual loss experience.

In some circumstances when a loan has been defaulted due to the discontinuance of the client's business the interest portion of any future payment is forgiven.

During the year there were \$Nil in loan receivables written off (2024 - Nil).

Allowance for Loan Losses

The following table reconciles the opening to the closing balance of the allowance for loan losses. The allowance for loan losses in these tables include ECL on all loans receivable.

	October 31, 2025			December 31, 2024	
	12-Month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total	Total
Loans Receivable					
Balance at January 1	\$ 61,167	\$ 233,552	\$ 397,843	\$ 692,562	\$ 576,921
Remeasurements	(8,746)	(79,598)	223,336	134,992	81,267
Loans written off	-	-	-	-	-
Total allowance for loan losses, October 31	\$ 52,421	\$ 153,954	\$ 621,179	\$ 827,554	\$ 658,188

There were no loans receivable that were modified while they had an allowance for loan losses measured at an amount equal to lifetime ECL.

FarmWorks Investment Co-operative Limited

Notes to Financial Statements

At October 31, 2025

4. Loans Receivable (continued)

Concentration of Risk

The Co-operative monitors concentration of credit risk on the basis of similar risk characteristics, based on loan type, industry, the length of time the loans are past due and the historical loss experience. The Co-operative has credit risk concentration from its geographic distribution of loans receivable to clients in Nova Scotia.

Fair Value Measurement

The estimated fair value of loans receivable at October 31, 2025 was \$5,167,322 (2024 - \$5,187,591). The estimated fair value of the fixed loans is assumed to be equal to book value as the interest rates on these loans are fixed at 6%. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks. The weighted average market interest rate used in estimating fair value was 7.50% (2024 - 7.00%) and the average term to maturity was 3.37 years (2024 - 3.21 years).

Interest Rate Sensitivity

An analysis of the Co-operative's risk due to changes in interest rates determined that an increase in interest rates of 1.00% could result in a increase to net income of \$196,000 while a decrease in interest rates of 1.00% could result in an decrease to net income of \$167,000.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

5. Share Capital

Clients' shares issued by the Co-operative are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Issued and outstanding shares:

	<u>October 31, 2025</u>	<u>December 31, 2024</u>
52,146 common shares (2024 - 50,696)	<u>\$ 5,214,600</u>	<u>\$ 5,069,600</u>

During the period, 3,000 shares were issued for \$300,000 (October 31, 2024 - 4,750 shares for \$475,000) and 1,555 shares were redeemed for \$155,000 (October 31, 2024 - 1,458 shares for \$145,800).

Terms and Conditions

Voting Common Shares

The Co-operative is authorized to issue an unlimited number of voting common shares with a par value of \$100 each.

FarmWorks Investment Co-operative Limited

Notes to Financial Statements

At October 31, 2025

6. Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The significant components of tax expense included in comprehensive income are composed of:

	2025	2024
Current income tax provision	\$ (79,415)	\$ 7,172
Deferred tax provision		
Temporary differences on allowance for loan impairment	\$ (15,651)	\$ 30,450
Total income tax expense (recovery)	\$ (95,066)	\$ 37,622

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian Federal and Provincial Statutory income tax rates to income before income taxes. This difference results from the following items:

	2025	2024
Income before income taxes	\$ (80,245)	\$ (11,732)
Statutory income tax rate	29.00 %	29.00 %
Expected income tax expense	(23,271)	(3,402)
Increase(decrease) in taxes resulting from:		
Non-deductible allowance for loan impairment	(56,328)	10,103
Non-deductible expenses and other reconciling items	184	471
Current income tax expense (recovery)	\$ (79,415)	\$ 7,172

The change in the components of the 2025 deferred tax liabilities are as follows:

	Balance as at December 31, 2024	Recognized in Net Income	Balance as at October 31, 2025
Allowance for loan impairment	\$ 75,500	\$ (15,651)	\$ 59,849

FarmWorks Investment Co-operative Limited

Notes to Financial Statements

At October 31, 2025

7. Statement of Cash Flows

The following amounts are included in the cash provided by operations:

	<u>2025</u>	<u>2024</u>
Interest received on loans receivable	<u>\$ 193,282</u>	<u>\$ 221,410</u>

8. Capital Management

The Co-operative's objective in managing capital is to ensure it can maintain sufficient capital to support its lending activities and ongoing operations, while sustaining confidence among its members and other stakeholders. Capital consists of members' share capital and accumulated surplus or deficit, as presented in shareholders' equity. The Co-operative primarily finances its activities through the issuance of member shares.

The Board of Directors oversees capital management and considers the level and composition of the loan portfolio, expected credit losses, liquidity requirements, operating results, and forecast cash flows. The Co-operative is not subject to externally imposed capital requirements and does not maintain formal quantitative capital targets. Share issuances and redemptions are managed in accordance with the Co-operative's bylaws, and there were no changes in the Co-operative's approach to capital management during the period.

9. New Accounting Standards, Amendments and Interpretations

There are no new standards, interpretations or amendments effective for annual reporting periods beginning on or after January 1, 2025 that have a material effect on the the Co-operative's financial statements.

In April 2024, the IASB issued IFRS - Presentation and disclosure in Financial Statements ("IFRS 18") to improve reporting of financial performance. IFRS 18 replaces IAS 1, however, it carries forward many requirements from IAS 1 unchanged. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. IFRS 18 introduces three sets of new requirements for presentation of financial statements and disclosures within financial statements:

- Introduction of five defined categories of income and expenses: operating, investing, financing, income taxes and discontinued operations, with defined subtotals and totals.
- Disclosure within a note to financial statements of Management-Defined Performance Measures (MPM) with a reconciliation between MPMs and IFRS performance measures.
- Enhanced guidance and additional requirements for aggregation and segregation of information.

The Co-operative is currently assessing the impact of this new standard on the presentation and disclosure of its financial statements.
